CARLSBERG BREWERIES

ANNUAL REPORT 2022

MANAGEMENT REVIEW

FINANCIAL STATEMENTS

OUR ANNUAL REPORTING

Please refer to the annual reporting suite of the Carlsberg Group, comprising the Environmental, Social & Governance Report and Remuneration Report, available at:
www.carlsberggroup.com/investor-relations/investor-home/reports-downloads/
The Carlsberg Group Annual Report includes the Group's voluntary report on its EU Taxonomy eligibility. It can be downloaded at:
www.carlsberggroup.com/reports-downloads/carlsberg-group-2022-annual-report/
The Environmental, Social & Governance Report serves as our statutory statement on corporate social responsibility in accordance with sections 99a, 99b and 99d of the Danish Financial Statements Act. It also forms the basis for our 2022 Communication on Progress to the UN Global Compact, which will be submitted in March 2023 in line with new requirements. It can be downloaded at:
www.carlsberggroup.com/reports-downloads/carlsberg-group-2022-esg-report/

Unless otherwise stated, comments and figures in this report refer to the continuing operations. From 1 January 2022, the Russian business is presented as held for sale. 2021 figures have been restated according to IFRS.

LETTER FROM THE CHAIR & THE CEO

STRONG RESULTS IN A CHALLENGING YEAR

2022 was a year of great contrasts. Despite significant challenges, Carlsberg delivered strong results and increased cash returns to shareholders.

During the year, our business was impacted by the horrible war in Ukraine. We remain deeply disturbed by the human tragedy unfolding there. Throughout the year, our first priority was the safety and wellbeing of our Ukrainian colleagues, whose resilience, courage and strength continue to make a profound impression on everyone at Carlsberg.

The war led us to take the very difficult decision to seek a full disposal of our business in Russia. We deeply regret the consequences of this decision for our more than 8,000 employees in Russia, many of whom have been loyal and valued members of the Carlsberg family for many years.

ACTIVITIES OF THE GROUP

The Carlsberg Breweries Group comprise the beverage activities in the Carlsberg Group. Carlsberg Breweries' activities are focused on the markets where the Group has the expertise and the right products to secure a leading position. Due to the variation of the markets, the contribution to growth, earnings and development within the Group differs, both at present and in the longer-term projections.

The Parent Company's main activities are investments in national and international breweries as well as license and export business. The Parent Company has retail bonds listed at the Luxembourg Stock Exchange.

FINANCIAL HEALTH

Despite the immense challenges faced by our business in the past three years, the financial health of the Group remains very strong.

Organic revenue growth in 2022 was 15.6%. This was supported by a diminishing impact of COVID-19 in most markets, and subsequently very good recovery of the on-trade and price increases during the year.

Operating profit grew organically by 10.6% despite the increase in commodity prices and energy costs, and our decision to increase marketing investments. Reported operating profit amounted to DKK 11.3bn. Free cash flow was DKK 9.4bn and ROIC improved by 300bp to 18%.

Continuous uncertainty and volatility were a fact of life for our business in 2022. In early March, we had to suspend our earnings guidance for the year due to the considerable uncertainty posed by the war in Ukraine. Six weeks later, we reinstated guidance and, thanks to early reopening of breweries in Ukraine and better-than-expected performance in many markets across our regions, we were able to increase our earnings guidance twice – in August and October.

Read more about the Group's financial results on pages 8-11.

STRATEGIC HEALTH

2022 marked the year when our SAIL'22 strategy came to an end, having successfully guided our journey since 2016. Setting sail for the next five years, we launched our new strategy, SAIL'27, in early February.

As its name suggests, SAIL'27 builds on the very strong foundation of SAIL'22. Going forward towards 2027, we are sharpening our focus, making distinct choices for our portfolio, markets, execution and winning culture, and raising our financial ambitions.

Within a month of the launch of SAIL'27, the world and our business changed dramatically due to the Russian invasion of Ukraine. Despite the consequences of this, our business fundamentals remain strong, and our ambitions and priorities for SAIL'27 are unchanged. We also remain confident in our ability to deliver on our top- and bottom-line growth ambitions.

Read more about SAIL'27 on pages 16-22.

SOCIETAL HEALTH

In August, we launched our enhanced ESG programme, Together Towards ZERO and Beyond (TTZAB), addressing the environmental, social and governance (ESG) topics that impact our stakeholders and our business most significantly, with milestones set for 2030 and 2040.

With TTZAB, we aspire to achieve net zero carbon emissions across the entire value chain by 2040 – supported by new ambitions and targets within agriculture and packaging – and we also raise our ambition levels and sharpen our targets for other topics, such as water, responsible drinking, diversity, equity & inclusion (DE&I), human rights and community engagement.

TTZAB is embedded in SAIL'27 as a key mechanism for mitigating risks, accomplishing strategic objectives and demonstrating our company's purpose through concrete targets, actions and results.

Read more about TTZAB on pages 21-22, and in detail in the ESG Report.

ORGANISATIONAL HEALTH

On 10 November, we celebrated Carlsberg's 175th anniversary, which symbolically coincided with International Quality Day. We can reflect on 175 years of pursuing better – with a pioneering spirit, curiosity and a quenchless thirst for progress.

We have always looked to brew beers that exceed consumer expectations each time – and we will continue to do so. This can only be achieved by excellent people, and we are proud to pay tribute to our excellent colleagues in all markets and functions for their great work and outstanding efforts in living the spirit of our founder and our purpose of brewing for a better today and tomorrow every day.

In 2022, we further intensified our DE&I efforts. Diversity is in our DNA. Our employees cover demographics far and wide – across nationalities, cultures, religions, sexuality, ability and beliefs.

We believe that nurturing a diverse, equitable and inclusive workforce will support our company performance and help us achieve our financial ambitions. We have therefore set time-bound targets for 2024 and 2027, which will be included in the variable remuneration for management. Long term, our ambition is to have at least 40% of the under-represented gender – currently women – in senior leadership roles.

Read more about our DE&I efforts on page 20 and in detail in the ESG Report.

CHANGES TO EXECUTIVE BOARD

At the end of 2022, we said farewell to our CFO, Heine Dalsgaard. We want to thank Heine for his significant contribution to the Carlsberg Group during his time with us, not least his relentless efforts to embed our Funding the Journey culture with its focus on cost and cash.

We were very pleased to welcome Ulrica Fearn as our new CFO from 1 January 2023. Ulrica brings strong international financial experience from multiple senior positions in global companies and industries, most recently as CFO of Equinor in Norway. Prior to that, she had 19 years of experience in the beverage industry.

LOOKING AHEAD

2023 will be another challenging year. We will need to increase our prices to offset continued increases in our costs. While beer historically has been a resilient consumer category, the higher prices in combination with the general high inflation may have a negative impact on beer consumption in some of our markets, particularly in Europe.

In addition, the development of the war in Ukraine and the impact on our business and the COVID-19 recovery in China remain highly uncertain.

We will address these challenges by leveraging our strong commercial programmes and well-embedded performance management systems, tools and capabilities, while maintaining investments in our SAIL'27 priorities and ambitions to drive long-term profitable growth. In addition, we will benefit from our diversified geographical footprint, including our exposure to growth markets in Asia.

THANK YOU

Once again this past year, we were impressed by the high level of engagement and commitment from the Group's employees, and we would like to say thank you to each and every one of them. In particular, we want to acknowledge our long-suffering colleagues in Ukraine.

We greatly appreciate the continued support and trust shown to us by our shareholders. We also extend our thanks to all suppliers and customers for their cooperation during 2022, and express our gratitude to our consumers around the world.

Henrik Poulsen	**Cees 't Hart**
Chair	**CEO**

5-YEAR SUMMARY

KEY FIGURES

Key figures and financial ratios in 2022 are presented for continuing activities unless otherwise stated. 2021 figures have been restated accordingly

	2022	2021	2020	2019	2018[1]
Volumes (million hl)					
Beer	102.4	98.8	110.1	113	112.3
Other beverages	23.0	20.4	20.0	21.9	20.8
DKK million					
Income statement					
Revenue	70,265	60,097	58,541	65,902	62,503
Gross profit	32,067	28,569	28,361	32,638	31,220
EBITDA	15,485	14,367	14,094	15,058	13,449
Operating profit before special items	11,313	10,137	9,718	10,524	9,368
Special items, net	-94	623	-244	568	-88
Financial items, net	-714	-385	-403	-728	-718
Profit before tax	10,505	10,375	9,071	10,364	8,562
Income tax	-1,844	-2,115	-2,240	-2,766	-2,395
Profit for the period, continuing operations[2]	8,661	8,260	6,831	7,598	6,167
Net result from Russian operations held for sale	-6,490	-284	-	-	-
Profit for the period	2,171	7,976	6,831	7,598	6,167
Attributable to					
Non-controlling interests	1,171	1,163	778	908	824
Shareholder in Carlsberg Breweries A/S (net profit)	1,000	6,813	6,053	6,690	5,343
Statement of financial position					
Total assets	105,798	114,738	108,100	112,092	107,178
Invested capital	50,463	52,846	69,555	73,403	70,418
Invested capital excl. goodwill	17,931	19,575	27,269	28,479	27,695
Net interest-bearing debt (NIBD)[3]	19,696	18,843	20,092	17,840	15,901
Equity, shareholder in Carlsberg Breweries A/S	22,481	34,079	28,815	32,124	34,848

[1] Comparative figures for 2018 have not been restated to reflect IFRS 16. [2] Comparative figures for 2018-2020 include profit from the Russian operations. [3] Comparative figures for 2021 have not been restated.

		2022	2021	2020	2019	2018[1]
Statement of cash flows						
Cash flow from operating activities		12,794	11,818	10,866	12,285	12,103
Cash flow from investing activities		-3,403	-3,965	-5,867	-2,462	-5,875
Free cash flow		9,391	7,853	4,999	9,823	6,228
Investments						
Acquisition of property, plant and equipment and intangible assets, net		-4,225	-3,897	-4,386	-4,571	-4,006
Acquisition and disposal of subsidiaries, net		-	-621	-2,409	-9	-974
Financial ratios						
Gross margin	%	45.6	47.5	48.4	49.5	50.0
EBITDA margin	%	22.0	23.9	24.1	22.8	21.5
Operating margin	%	16.1	16.9	16.6	16.0	15.0
Effective tax rate	%	17.5	20.4	24.7	26.7	28.0
Return on invested capital (ROIC)	%	18.0	15.0	10.5	10.3	9.5
ROIC excl. goodwill	%	49.9	39.9	27.1	25.4	23.7
NIBD/EBITDA	x	1.27	1.34	1.43	1.18	1.18
Dividend per share (proposed)	DKK	7,420	6,986	6,520	6,395	5,470
Payout ratio	%	370	51	54	48	51

Please refer to section 9.2 General Accounting Policies in the consolidated financial statements for a definition and calculation of key figures and financial ratios.

NAVIGATING 2022

MANAGING A TURBULENT YEAR

2022 was a year of immense challenges as a result of the war in Ukraine, rising commodity prices and energy costs, and COVID-19, particularly in Asia.

In this environment, the Group aimed to seek the right balance between mitigating the short-term challenges and investing in the long-term opportunities behind our SAIL'27 priorities to deliver on our ambitions for top- and bottom-line growth.

SAFEGUARDING OUR UKRAINIAN BUSINESS

We stand alongside the Ukrainian people and condemn the Russian invasion of Ukraine in the strongest possible terms.

OUTBREAK OF WAR

The war in Ukraine has deeply affected us all. We have been humbled by the strength and resilience of our Ukrainian colleagues, who have been navigating the continuous difficult humanitarian situation and the enormous business challenges.

From the outbreak of the war, our first priority has been the safety, health and wellbeing of our more than 1,300 local colleagues.

Early on, we established emergency shelters to accommodate those of our employees and their families who had to leave their homes. We actively used our facilities and skills in Ukraine and neighbouring countries to provide humanitarian support to both our employees and other Ukrainian people, including providing shelter, transport, food and fresh water.

In early March, the Group, together with the Carlsberg foundations, made a EUR 10m donation to support humanitarian efforts in Ukraine.

BUSINESS CONTINUITY

To secure the safety of our people in Ukraine, we suspended production at our three breweries and stopped operations in the country very soon after the outbreak of the war.

At the recommendation of our Ukrainian colleagues, production at two of the three breweries restarted during April and May, and by the end of June production was restarted at the third brewery. However, following intensified fighting later in the year, we suspended production at our brewery in Zaporizhzhia for a few weeks in October.

When resuming business in April, the Ukrainian team converted and delisted the previously important Russian Baltika brand portfolio and converted the popular variants into other brands, including Carlsberg, Lvivske and Garage (examples shown in the text box).

MANAGING RUSSIA

Just after the invasion, we announced our decision to immediately stop new investments into Russia as well as exports from other Carlsberg Group companies to Baltika Breweries in Russia.

On 9 March, we took additional measures, ceasing all advertising by both the Carlsberg Group and Baltika Breweries in Russia and the production and sale of the Carlsberg brand in the Russian market.

Furthermore, we announced that we would carry out a strategic review of the Group's presence in Russia.

DIVESTMENT OF THE RUSSIAN BUSINESS

On 28 March, we made public the difficult decision to seek a full disposal of the Group's business in Russia.

CARLSBERG UKRAINE

The Group holds a no. 2 position in Ukraine, operating three breweries – in Kyiv, Lviv and Zaporizhzhia – and employing more than 1,300 people.

The brand portfolio includes the international premium brands Carlsberg, 1664 Blanc, Grimbergen, Somersby and Garage, and the local power brand Lvivske.

The separation of the Russian business from the rest of the Group is complicated. The Russian operations have been an integrated part of our company, and the separation process has involved more than 150 separation workstreams across business functions.

The necessary steps for the divestment were initiated alongside the separation process, including a process to clarify the impact of sanctions and the Russian government's approval process, select advisors, identify potential buyers and formalise the sales process.

A buyer-screening process has been initiated, and specific requirements of the bidders defined. A careful screening process is under way to evaluate the bidders' appropriateness to participate in any transaction.

We will take the needed time to execute the separation and the divestment to seek the best possible solution for all stakeholders, in particular our more than 8,000 employees and our shareholders.

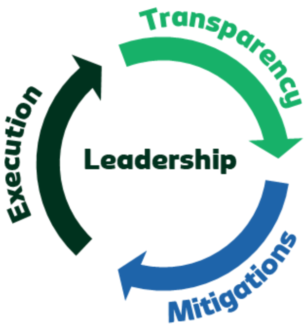
Read more about the separation and divestment of the Russian business in section 5 of the consolidated financial statements.

MANAGING INFLATION

The Group faced significant inflation in its cost base in 2022. Despite benefiting from the hedges made in 2021, cost of sales/hl increased organically by 13% due to higher commodity prices and energy costs.

Our hedging policy sets out the principles by which we hedge our commodity exposure. Section 1.4 of the consolidated financial statements describes our hedging of commodities.

WINDFORCE 12



To ensure the right and necessary mitigating actions in the unprecedented inflationary environment, we launched the WINDFORCE 12 programme, which is a comprehensive and dynamic approach to managing cost inflation.

WINDFORCE 12 is about creating forward-looking transparency on the inflationary impact by market on a monthly basis using our Price Increase Inflation Coverage (PIIC) model.

By having this information available in real time, our local operators are able to develop an appropriate basket of mitigating actions while ensuring the right balance of the "Golden Triangle" (see text, bottom right). In an environment of high inflation, our ambition will always be to offset higher cost of sales through higher revenue per hl in order to safeguard the absolute gross profit per hl.

The transparency and mitigating actions allow our people to respond with agility and a flexible mindset, adapting to changes in the environment on an ongoing basis.

The WINDFORCE 12 programme will continue to be deployed in 2023.

PIIC

The purpose of our PIIC model is two-fold: to increase the transparency of total inflation in our markets and to track how much price increases are expected to offset the inflationary pressure. In doing so, the PIIC coverage also shows the residual inflation pressure not covered by price increases.

The PIIC inflation factor covers all cost items in the income statement, including cost of sales, SG&A and marketing investments.

The PIIC price increase factor includes list price increases, promotions and various discounts to determine the net price increase. We aim to offset any deviance between net price increase and the PIIC inflation factor through mix, innovations and other measures.

PIIC has been integrated in the monthly reporting process for all markets and regions.

COVID-19

The overall impact of the pandemic was less severe in 2022, with the most significant impact seen in China.

Across Europe, our markets saw only limited restrictions at the beginning of the year. During Q1, the on-trade began to recover. Our volumes benefited from easy comparables, particularly in the first half of the year, as restrictions and lockdowns were widespread in H1 2021.

Our Asian markets outside China also saw good recovery following the gradual removal of restrictions during H1. In China, we had a strong start to the year, while volumes, particularly in Q2 and Q4, were impacted by COVID-19 restrictions and lockdowns in our strongholds and big cities.

OUR GOLDEN TRIANGLE

In applying our Golden Triangle, we continuously seek to optimise the balance between market share/volumes, gross profit after logistics (GPaL) margin, operating profit and cash generation. We review the balance of the Golden Triangle at market, regional and Group level on a monthly basis.

GROUP

STRONG RESULTS IN A CHALLENGING ENVIRONMENT

The Group delivered a strong set of results despite significant challenges posed by the war in Ukraine, rising input costs and COVID-19, particularly in China.

As a result of the high level of uncertainty in 2022, we issued broad guidance for organic operating profit growth at the beginning of the year. The Russian invasion of Ukraine led us to suspend the earnings guidance in early March. Following the reinstatement of the full-year guidance in April, we were able to upgrade our earnings expectations twice due to strong performance. See the table on the right.

VOLUMES

Beer volumes grew by 4.2%, driven by Asia and Western Europe, while Central & Eastern Europe was impacted by declining volumes in Ukraine.

Other beverage volumes grew organically by 12.9%, and total volumes by 5.7%.

INCOME STATEMENT

Revenue was DKK 70,265m. Organic revenue growth was 15.6%, while reported revenue growth was 16.9%.

Revenue/hl was +9%. The improvement was primarily driven by the on-trade recovery in H1 across many markets due to markedly fewer COVID-19-related restrictions. In addition, revenue/hl was supported by a positive brand mix, which also benefited from the on-trade recovery, and price increases during the year to offset the higher input costs.

The negative net acquisition impact was due to the deconsolidation of Gorkha Brewery in Nepal, while the positive currency impact related to the Chinese and Swiss currencies, which more than offset the depreciation of the Laotian kip and Ukrainian hryvnia.

Gross profit increased organically by 11.3%. Despite benefiting from the hedges made in 2021, cost of sales/hl increased organically by 13% due to higher commodity prices and energy costs. While the reported gross margin declined by 190bp to 45.6%, gross profit/hl increased organically by 5%, as the higher revenue/hl more than offset the higher cost of sales/hl in absolute terms.

We maintained our focus on costs, supporting our efforts to offset inflation and increase investments in brands and activities. As a percentage of revenue, reported operating expenses improved by 60bp to 30.6% (excluding marketing investments, the improvement was 90bp).

Earnings expectations 2022

Date	Expectation for operating profit
4 February 2022	Organic operating profit growth of 0-7%.
9 March 2022	Suspension of 2022 guidance.
21 April 2022	Organic operating profit development of around -5% to +2%.
8 August 2022	High single-digit-percentage organic growth in operating profit.
26 October 2022	Organic growth in operating profit of 10-12%.
7 February 2023	Organic growth in operating profit of 10.6% (reported).

Group

		Change				Change
	2021	Organic	Acq., net	FX	2022	Reported
Volumes (million hl)						
Beer	98.8	4.2%	-0.6%	-	102.4	3.6%
Other beverages	20.4	12.9%	-0.1%	-	23.0	12.8%
Total volume	**119.2**	**5.7%**	**-0.5%**	**-**	**125.4**	**5.2%**
DKK million						
Revenue	60,097	15.6%	-0.9%	2.2%	70,265	16.9 %
Operating profit	10,137	10.6%	-1.0%	2.0%	11,313	11.6%
Operating margin (%)	16.9				16.1	-80bp

The increase in income from associates was due to the deconsolidation of Gorkha Brewery in Nepal (now reported as an associate) and strong performance of Super Bock in Portugal.

Operating profit before depreciation, amortisation and impairment losses (EBITDA) by 7.8% in reported terms.

Operating profit grew organically by 10.6%, with Asia and Western Europe the main contributors. The reported operating profit growth of 11.6% was positively impacted by currencies, mainly the Chinese renminbi and the Swiss franc, which more than offset the deconsolidation of Gorkha Brewery. The reported operating margin decreased by -80bp to 16.1%, mainly due to the higher commodity prices and energy costs

Section 1 of the consolidated financial statements contains more details on operating activities.

Net special items (pre-tax) amounted to DKK -94m (2021: DKK +623m). Special items were positively impacted by reversal of provisions made in purchase price

19% CAGR

1664 BLANC VOLUME 2016-2022

Our super premium brand 1664 Blanc has been on an impressive growth journey since it became part of our SAIL'22 priorities. During the period 2016-2022, the brand more than quadrupled volumes. Many markets across our regions contributed to this growth, with China becoming a particularly important market. In SAIL'27, we will continue to drive growth for 1664 Blanc, as it remains a strong premiumisation driver for our markets. Reinforcing the brand's elegantly playful and premium positioning, we launched the global, socially led "Good taste with a twist" 2.0 campaign in April.

SAIL 27

STEP UP IN PREMIUM

allocations in prior years of DKK 217m, mainly in Asia. This was partly offset by impairment charges in Ukraine and restructuring costs.

Financial items, net, amounted to DKK -714m (2021: DKK -386m). Excluding currency gains and losses, financial items, net, amounted to DKK -491m (2021: DKK -331m). The increase was mainly due to 2021 being positively impacted by the reversal of the previous write-down of the loan to our partner in Carlsberg South Asia Pte Ltd.

Net interest expenses decreased slightly due to lower average funding costs. Net currency losses amounted to DKK -223m, mainly related to conversion costs for the Laotian kip and losses on intra-company deposits.

Tax totalled DKK -1,844m (2021: DKK -2,115m). The effective reported tax rate was 17.5% (2021: 20.4%), impacted by one-off adjustments. Excluding special items, the effective tax rate was 17.6% (2021: 22.2%).

The Carlsberg Breweries Group's share of consolidated profit (net profit) was DKK 1,000m (2021: DKK 6,813m). The strong increase in operating profit and lower tax rate were offset by the impairment in Russia.

Non-controlling interests' share of consolidated profit was DKK 1,171m (2021: DKK 1,163m). Non-controlling interests mainly consist of Lao Brewery, Carlsberg Chongqing Breweries Group and Carlsberg Malaysia Group in Asia and Carlsberg Marston's Brewing Group in Western Europe.

STATEMENT OF FINANCIAL POSITION

In the statement of financial position, the Russian business is presented separately as disposal group held for sale. Comparative figures have not been restated.

ASSETS

Total assets amounted to DKK 105,798m at 31 December 2022 (31 December 2021: DKK 114,738m). The main driver for the decrease was the decision to seek a full divestment of the Russian business, which resulted in a write-down of the Russian business of DKK 8,364m.

Total non-current assets amounted to DKK 71,540m (31 December 2021: DKK 91,468m). Intangible assets totalled DKK 40,526m (31 December 2021: DKK 57,267m). The decline was mainly due to the reclassification of the Russian business as assets in disposal group held for sale, including the write-down of the Russian business. Property, plant and equipment totalled DKK 23,580m (31 December 2021: DKK 26,552m), mainly impacted by the reclassification of the Russian business. Other non-current assets totalled DKK 7,434m (31 December 2021: DKK 7,649m), mainly consisting of the investments in associates and deferred tax assets, which declined slightly year on year.

Total current assets amounted to DKK 34,258m (31 December 2021: DKK 23,270m). Excluding Russia, current assets increased by DKK -568m.

Inventories amounted to DKK 5,718m. Compared with 31 December 2021 and excluding Russia, inventories increased by DKK 88m, impacted by higher cost of sales and stocking in Asia prior to the Chinese New Year.

The decline in trade receivables of DKK 644m was mainly due to the reclassification of the Russian business, while other receivables excluding Russia were flat. Cash and cash equivalents amounted to DKK 8,163m (31 December 2021: DKK 8,344m).

Section 2 of the consolidated financial statements contains more details on assets.

EQUITY AND LIABILITIES

Equity

Equity amounted to DKK 25,301m at 31 December 2022 (31 December 2021: DKK 37,338m), DKK 22,481m of which was attributed to shareholders in Carlsberg A/S and DKK 2,820m to non-controlling interests.

The net change in equity of DKK -12,037m was mainly explained by the profit for the period of DKK 2,171m, other comprehensive income of DKK -4,066m, the dividend payout of DKK -4,528m and non-controlling interests of DKK -1,336m.

Liabilities

Total liabilities were DKK 80,497m (31 December 2021: DKK 77,400m).

At 31 December 2022, non-current and current borrowings amounted to DKK 29,037m (31 December 2021: DKK 28,931m): non-current borrowings of DKK 22,865m (31 December 2021: DKK 22,755m) and current borrowings of DKK 6,172m (31 December 2021: DKK 6,176m).

Non-current tax liabilities, retirement benefit obligations etc. were DKK 8,281m (31 December 2021: DKK 10,872m). The decline was mainly due to a decline in retirement benefit obligations and reclassification of the Russian business.

Current liabilities excluding current borrowings were DKK 39,079m (31 December 2021: DKK 37,597m).

Trade payables increased by DKK 1,238m. Excluding Russia, the increase was DKK 931m, impacted by the general inflation.

Other current liabilities, excluding deposits on returnable packaging, increased by DKK 121m, primarily impacted by the reclassification of Russia.

Liabilities in disposal group held for sale totalled DKK 4,100m and related to the Russian business.

CASH FLOW

Free cash flow amounted to DKK 9,391m (2021: DKK 7,853m). The increase was mainly impacted by the higher EBITDA and higher net contribution from the change in working capital.

Net cash flow amounted to DKK 1,696m (2021: DKK -72m), impacted by higher free cash flow, partly offset by dividends of DKK -7,986m compared to DKK -7,260m in 2021.

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities amounted to DKK 12,794m (2021: DKK 11,818m).

EBITDA was strong at DKK 15,485m (2021: DKK 14,358m).

The change in trade working capital was DKK 1,960m (2021: DKK 728m), positively impacted by the higher trade payables and the continued cash management discipline.

The change in other working capital was DKK -679m (2021: DKK 244m), mainly impacted by VAT.

Restructuring costs paid amounted to DKK -183m (2021: DKK -353m). Net interest etc. paid amounted to DKK -950m (2021: DKK -843m). The increase was mainly due to the settlement of financial instruments. Corporation tax paid was DKK -2,201m (2021: DKK -1,948m).

CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities was DKK -3,403m (2021: DKK -3,965m).

Acquisition of property, plant and equipment and intangible assets amounted to DKK -4,225m (2021: DKK -3,897m), while total operational investments amounted to DKK -3,813m (2021: DKK -3,495m).

Total financial investments amounted to DKK +410m (2021: DKK -470m). The change is mainly attributable to deferred considerations related to the acquisition of Marston's brewing activities and the deconsolidation of the business in Nepal, both in 2021.

RETURN ON INVESTED CAPITAL

ROIC improved strongly, by 300bp to 18.0%, as a result of higher operating profit, a lower effective tax rate, impacted by one-off adjustments, and improved working capital. ROIC excluding goodwill was 49.9% (2021: 39.9%).

FINANCING

At 31 December 2022, gross financial debt amounted to DKK 29,037m (2021: DKK 28,931m) and net interest-bearing debt to DKK 19,696m (2021: DKK 18,843m).

The strong free cash flow was offset by the cash outflow from the dividends to shareholders and non-controlling interests (DKK 9,028m). The difference of DKK 9,341m between gross financial debt and net interest-bearing debt mainly comprised cash and cash equivalents of DKK 8,163m.

At 31 December 2022, the average debt duration was 4.1 years (2021: 4.8 years). Of the gross financial debt, 79% (DKK 22,865m) was long term, i.e. with maturity of more than one year from 31 December 2022.

The financial leverage was kept slightly more conservative than in past years due to the put option related to our partner's 33% holding in the Indian and Nepalese holding company Carlsberg South Asia Pte Ltd (see section 5.4 of the consolidated financial statements).

Read more about net-interest bearing debt, capital structure and borrowings in sections 4.2, 4.3 and 4.4 of the consolidated financial statements.

CAPITAL ALLOCATION

DISCPLINED CAPITAL ALLOCATION

SAIL'27 reinforces and expands our priorities for delivering shareholder value: organic growth in revenue and operating profit, improved return on invested capital, optimal capital allocation and ambitious sustainability targets.

Our capital allocation principles, which we announced in 2016, remain unchanged in SAIL'27:

1. Investing in our business to drive long-term sustainable growth.
2. Targeting NIBD/EBITDA of below 2.0x.
3. Targeting an adjusted payout ratio of around 50% (adjusted for special items after tax).
4. Distributing excess cash to shareholders through share buy-backs and/or extraordinary dividends.
5. Deviating from the above if value-enhancing acquisition opportunities arise

DRIVING LONG-TERM GROWTH

Notwithstanding the challenges posed by the war in Ukraine, significantly rising costs and COVID-19 in 2022, we increased our marketing investments during the year in support of our SAIL'27 priorities.

For the year, marketing investments grew by 22%. Reported marketing investments amounted to 8.2% of revenue. Thanks to the strong performance in 2022, we accelerated some SAIL'27 investments, including marketing investments across the Group and sales investments, particularly in Vietnam and China.

LEVERAGE

Despite increased cash returns to shareholders, the net interest-bearing debt to EBITDA ratio (excluding Russia) at the end of the year was 1.27x, well below our target of below 2.0x.

The Group will keep financial leverage lower than usual as the partner in the Indian and Nepalese businesses has issued a formal put notice to sell his 33% shareholding at the put option valuation amount of USD 744m. See section 5.4 of the consolidated financial statements for more information.

VALUE-ENHANCING M&A

The Group remains committed to value-enhancing M&A and will continue to explore relevant opportunities.

In December, we entered into an agreement with Waterloo Brewing Ltd. in Ontario, Canada, to acquire all its common shares for a total equity value of approximately CAD 144m. The transaction is expected to close in the first half of 2023. This acquisition is in line with our SAIL'27 strategy to grow in key export and licence markets.

2023 EARNINGS EXPECTATIONS

EARNINGS EXPECTATIONS

There are significant uncertainties for 2023, which will be will be another challenging year.

Due to our and our suppliers' rolling hedging, last year's commodity and energy price increases will have a significant impact on our 2023 cost of sales and logistics costs.

We intend to offset the higher costs in absolute terms through pricing, mix and continued tight focus on costs.

While beer historically has been a resilient consumer category, the higher prices in combination with generally high inflation may have a negative impact on beer consumption in some of our markets, particularly in Europe.

The development of the war in Ukraine and the impact on our business remain highly uncertain, as is the COVID-19 recovery in China, including consumer off-take during the Chinese New Year celebrations.

The wide guidance range reflects these significant uncertainties for 2023. Consequently, 2023 guidance is:

- Organic operating profit development of -5% to +5%.

We are assuming an organic increase in cost of sales per hl of low-teen percentages for the Group, with large variations between markets and regions. The cost pressure is expected to be more pronounced in H1.

Based on the spot rates at 6 February, we assume a translation impact on operating profit of around DKK -550m for 2023.

Other relevant assumptions are:
- Financial expenses, excluding foreign exchange losses or gains, of around DKK 600m.
- Reported effective tax rate of around 21%.
- Capital expenditure at constant currencies at around DKK 5.0bn.

Forward-looking statements

Forward-looking statements are subject to risks and uncertainties that could cause the Group's actual results to differ materially from those expressed in the forward-looking statements. Accordingly, forward-looking statements should not be relied on as a prediction of actual results. See page 29 for the full forward-looking statements notice.

OUR PURPOSE

BREWING FOR A BETTER TODAY AND TOMORROW

We pursue perfection every day. We strive to brew better beers. Beers that stand at the heart of moments that bring people together. We do not settle for immediate gain when we can create a better tomorrow for all of us.

Our purpose stated above is rooted in our heritage and in the mentality of our founders, who left a rich legacy that still greatly influences how we run our business today. Their pioneering spirit, passion for brewing and proactive contribution to society are what make us who we are.

We are proud of our purpose of "Brewing for a better today and tomorrow". Current and prospective employees look for companies with a clear purpose, a keen sense of social responsibility, and work that has meaning and gives them a sense of belonging.

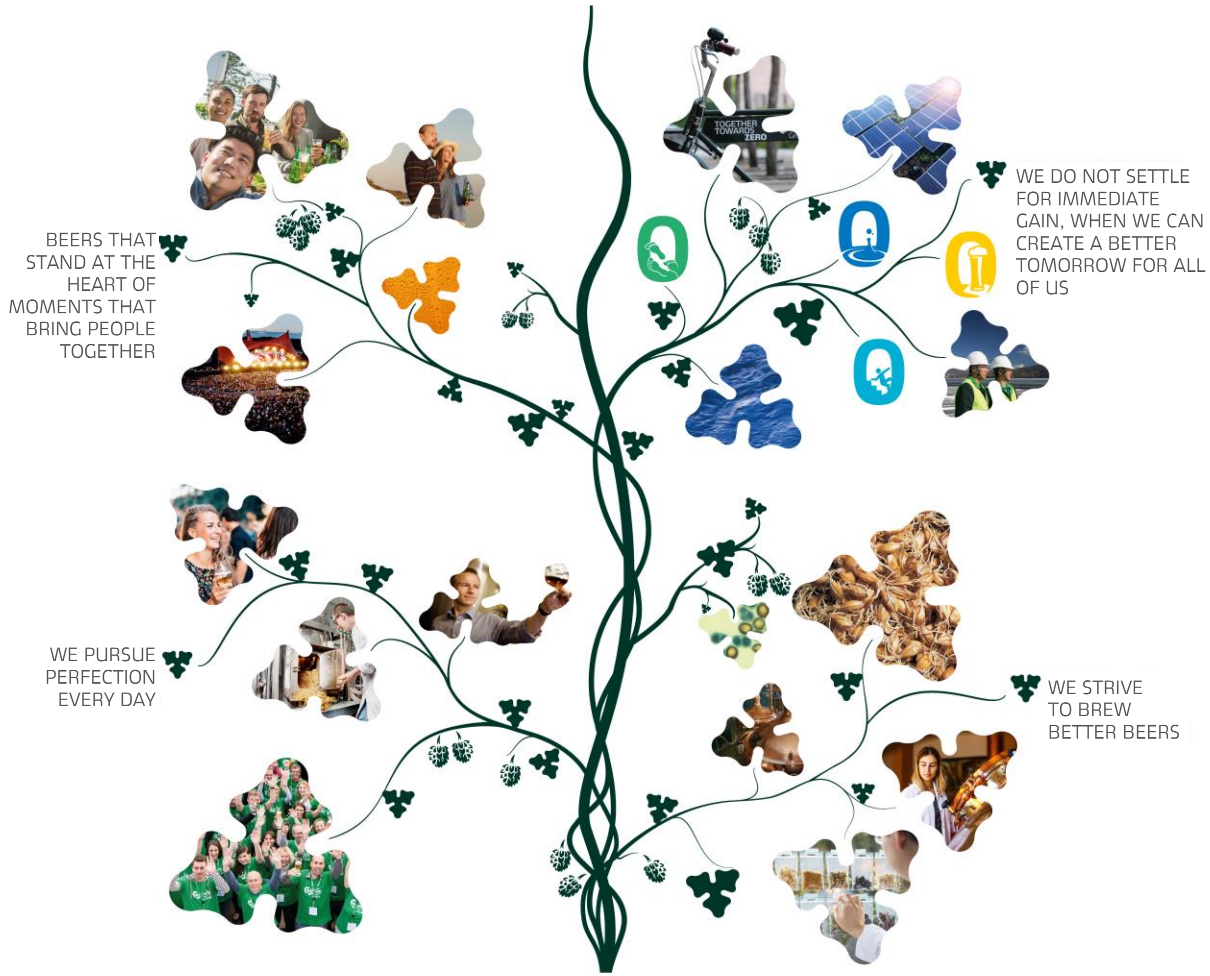
We live our purpose every day by focusing on our brands and the art of brewing, exciting our consumers with quality brews that strengthen our identity and pride as brewers, and by continuously aiming to do better.

We will continue to live our purpose, as it is key for the successful execution of our strategy and for achieving our ambition of being successful, professional and attractive in our markets:

Successful in ensuring the financial health of our company by outperforming our competitors through improved market share, revenue, margins and earnings.

Professional in ensuring the strategic health of our company by delivering the highest standards in everything we do, including brands, brews and service.

Attractive in ensuring the organisational and societal health of our company by being purpose-led and performance-driven for shareholders, employees and society.



BUSINESS MODEL

OUR BUSINESS MODEL ROOTED IN OUR PURPOSE

Our business model is rooted in our purpose and ambition. It takes its starting point in our focus on our brands and the art of brewing, how we excite our consumers with quality brews, and our continuous striving to do better.

WE FOCUS ON THE MARKETS WHERE WE HAVE A NO. 1 OR 2 POSITION...

Core beer is a volume business, and strong market positions are key drivers of profitability. We have particular focus on the 21 markets in Western Europe, Asia and Central & Eastern Europe where we are no. 1 or 2.

BREWING FOR A BETTER TODAY AND TOMORROW

In all our markets, we aim to lead in sustainability because it is central to our purpose and because we genuinely believe it is the right thing to do – delivering tangible benefits for our business and for society as a whole.

... WHERE WE DELIVER AN ATTRACTIVE BEER PORTFOLIO FOR ALL CONSUMER OCCASIONS...

The strength of our beer portfolio lies in the strong local roots of our local power brands, combined with our local and international premium brands, alcohol-free brews and brands beyond beer.

BREWING FOR A BETTER TODAY AND TOMORROW

Our brands offer us powerful opportunities for communicating with consumers. We use these opportunities to encourage moderate, responsible consumption of our products. We also increase the availability of alcohol-free brews.

... AND STRIVE TO EXCEL IN OUR SERVICE TO ON- AND OFF-TRADE CUSTOMERS...

Our customers range from on-trade to off-trade, from online to offline. We aim to become their preferred beer supplier, providing products and services that deliver value growth for them and us.

BREWING FOR A BETTER TODAY AND TOMORROW

We develop digital solutions and services to help our customers grow their business. We engage in developing sustainable packaging solutions and launching initiatives to increase collection and recycling rates.

... BY OPTIMISING OUR SUPPLY CHAIN AND IMPROVING PROCESSES AND SYSTEMS.

The Funding our Journey culture drives efficiencies and reduces costs. The focus of our integrated supply chain is optimising asset utilisation while brewing high-quality beer and enabling our commercial growth agenda.

BREWING FOR A BETTER TODAY AND TOMORROW

Recognising the need for strong actions in the face of complex sustainability challenges, Together Towards ZERO and Beyond sets ambitious targets for carbon, water, agricultural raw materials, packaging, and health & safety.

OUR STRATEGY: SAIL'27

DISTINCT STRATEGIC LEVERS AND CHOICES

We launched our new strategy, SAIL'27, in early 2022. It is built around our purpose and our ambition of being the most successful, professional and attractive brewer in our markets.

SAIL'27 focuses on five strategic levers – portfolio, geographies, execution, culture and funding the journey – for which we have made distinct strategic choices, defining the focus of our efforts and resource allocation.

Our strategic levers and choices are elaborated on in the following pages. They should be viewed as an integrated set of activities that together will create value for shareholders, employees and the societies in which we operate.

Notwithstanding the current challenging business environment, we remain firm in our belief that we can capture long-term growth opportunities, which is reflected in our financial and sustainability ambitions for the SAIL'27 period:

- Organic revenue growth of 3-5% CAGR.
- Organic operating profit growth above revenue growth.
- Continued ROIC focus.
- Disciplined capital allocation.
- Ambitious sustainability targets.

OUR PORTFOLIO CHOICES	Step up in premium	Strengthen mainstream core beer	Accelerate alcohol-free brews and grow Beyond Beer
OUR GEOGRAPHICAL PRIORITIES	Premiumise and grow profits in Western Europe	Accelerate in core markets in Asia	Drive value and build scale in Central & Eastern Europe
OUR EXECUTION EXCELLENCE	Excel at point of purchase	Master digital, data and processes	Manage supply chain end-to-end
OUR WINNING CULTURE	Purpose- and performance-driven people	Together Towards ZERO and Beyond	Live by our Compass

FUNDING OUR JOURNEY

CREATING VALUE FOR ALL OUR STAKEHOLDERS

SHAREHOLDERS

- Organic revenue growth of 3-5% CAGR
- Organic operating growth above revenue growth
- Continued ROIC focus
- Disciplined capital allocation
- Ambitious sustainability targets

EMPLOYEES

- A purpose-led and performance-driven company with strong development opportunities and engagement
- An attractive, diverse and inclusive workplace
- Strong brands, quality products and ambitious sustainability efforts to be proud of

SOCIETY

- Championing sustainability in our journey Together Towards ZERO and Beyond
- Enabling the Carlsberg Foundation to invest in science, art and culture
- Partnering with communities and contributing to prosperity in the markets in which we operate

SAIL'27

OUR PORTFOLIO CHOICES

The beer category continues to offer attractive long-term volume and value growth opportunities. In addition, we see further growth opportunities for selected categories beyond beer.

STEP UP IN PREMIUM

Across our regions, the premium category is growing three to four times faster than mainstream beer.

In most markets, we underindex in the premium category. We will therefore pursue value growth by more forcefully expanding into the premium category with our existing brand portfolio, pursuing three distinct growth opportunities: super premium, international premium lagers and premium local brands.

STRENGTHEN MAINSTREAM CORE BEER

Our mainstream local power brands will remain an important category in our beer portfolio. These brands have strong local roots and histories, meeting the continued consumer demand for local and authentic brands.

We will safeguard the healthy foundation of our core mainstream brands to provide scale and a solid backbone for our local businesses.

ACCELERATE ALCOHOL-FREE BREWS

We will maintain our focus on alcohol-free brews (AFB), where we have seen good growth in the past years.

Our ambition is to significantly grow our AFB volumes by leveraging our strong local power brands, our international premium brands and stand-alone alcohol-free brands.

While we will seek to drive AFB growth in all three regions, Europe remains key for the category, and in many markets across Western Europe and Central & Eastern Europe we hold a strong no. 1 market position in the category.

BEYOND BEER

As part of SAIL'27, we are extending our focus to other beverages beyond beer, such as cider, hard lemonade, hard seltzers and RTD cocktails. In selected markets, we see attractive volume and value growth opportunities in these categories, leveraging our existing brands Somersby and Garage.

42%

BROOKLYN BRAND GROWTH

We acquired the rights to the Brooklyn brand for all our markets in 2020. Since then, we have strengthened the brand equity in order to scale the brand and make it successful across our markets. The work included developing a clear brand architecture, a new brand platform and an invigorated visual identity with a full suite of global assets to ensure a consistent premium brand experience for consumers. Today, our broad Brooklyn portfolio includes premium lager, our signature IPAs and award-winning alcohol-free variants. In 2022, Brooklyn grew by 42%

STEP UP IN PREMIUM

SAIL'27

OUR GEOGRAPHICAL PRIORITIES

We have an attractive and widespread geographical presence, with no. 1 or 2 positions in 21 markets across Western Europe, Asia and Central & Eastern Europe.

While market dynamics differ between our regions, our strategic levers are the same, albeit with local adaptations. We believe all three regions offer appealing long-term revenue and earnings growth opportunities.

WESTERN EUROPE

Across all markets in Western Europe, we will rigorously pursue our portfolio choices and strengthen our execution capabilities. We will continue to implement further operational improvements in order to improve flexibility, increase efficiency and reduce costs. All markets are expected to grow revenue and profits.

ASIA

Our ambition is to continue to strengthen our position in key Asian markets, supported by further expanding our premium portfolio and capturing growth opportunities in adjacent categories, mainly utilising the Somersby brand.

We see particularly attractive opportunities for growth in China, India and Vietnam through the leveraging of our attractive portfolios of international premium and super premium brands and strong local brands. In China specifically, we will continue our successful big city approach and strengthen our position in new and growing retail channels such as e-commerce and modern off-trade.

CENTRAL & EASTERN EUROPE

This region includes a large number of diverse markets with very different market dynamics. As of 1 January 2022, Russia is not a part of the region due to our decision to divest our business in Russia.

Across markets, we will strengthen our premium portfolios and in-store execution capabilities, and pursue growth opportunities in categories beyond beer, particularly leveraging Somersby, Garage and local brands.

In our sizeable Export & License business, we aim to accelerate growth in key markets and pursue selected growth opportunities in markets with attractive large profit pools.

27%

VOLUME GROWTH IN VIETNAM

Vietnam is among the ten largest beer markets in the world. The Group has been present in this attractive beer market since 1993. In 2013, we acquired the remaining 50% of Hue Brewery, and today we hold a very strong market position in the central part of the country, with a market share of around 40%. As part of SAIL'27, our ambition is to further strengthen our position in Vietnam by growing our local power brand, Huda, and our international premium portfolio, selectively expanding our footprint and strengthening our execution capabilities.

ACCELERATE IN CORE MARKETS IN ASIA

SAIL'27

OUR EXECUTION EXCELLENCE

Excel in execution remains a key priority in SAIL'27, with a focus on optimising and improving performance across our value chain.

We will support our portfolio and geographical priorities by stepping up and continuously improving our execution capabilities, aiming in particular to excel at point of purchase, to master digital, data and processes, and to drive supply chain excellence.

EXCEL AT POINT OF PURCHASE

We will enhance our point of purchase execution by more deeply embedding our proven sales execution and value management tools and technologies, and by offering winning portfolios.

MASTER DIGITAL, DATA AND PROCESSES

We will ensure our competitiveness in rapidly developing areas, such as digital marketing, e-commerce and data & analytics. In addition, we will develop processes and leverage existing technologies to improve efficiencies and effectiveness in our ways of working.

DRIVE SUPPLY CHAIN EXCELLENCE

We see further opportunities for improving our supply chain. We will achieve efficiencies and enhance effectiveness in our ways of working by developing common tools, processes and capabilities across markets.

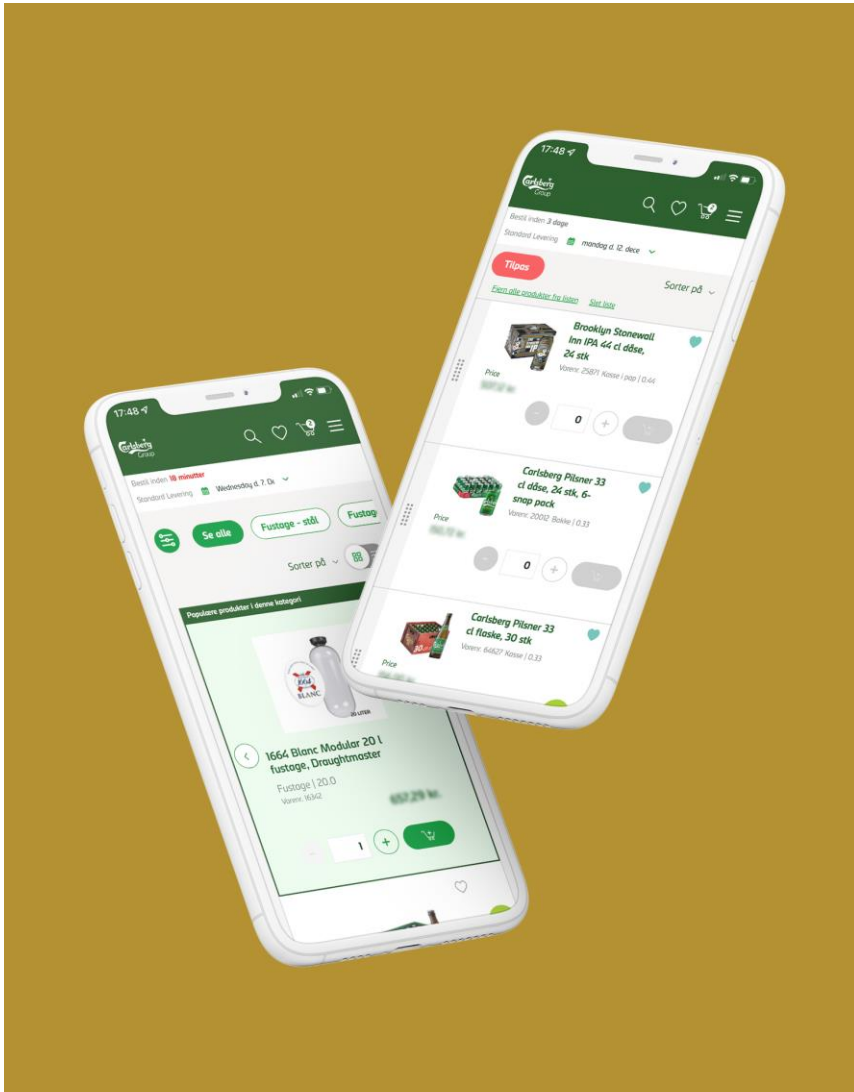
There will be particular focus on further improving our end-to-end demand, material and supply planning expertise.

51%

REVENUE GROWTH ON CARL'S SHOP

Carl's Shop is our online business-to-business platform, serving our on-trade customers. It was first launched in 2018 in Western Europe. Since then, we have expanded into markets in Asia and Central & Eastern Europe, with Carl's Shop now available in 11 markets serving 45,000 customers. Our focus is on improving the success of our customers by providing access to a range of options, such as product and sales insights, support and services, e-learning and, in some markets, assortment beyond our own portfolio. By also leveraging the use of smart data-driven product recommendations, sales on the platform are highly supportive of our premiumisation efforts. In 2022, revenue on Carl's Shop grew by 51%.

SAIL 27 MASTER DIGITAL



SAIL'27

OUR WINNING CULTURE

To deliver on our ambition to be the most successful, professional and attractive brewer in the markets where we operate, our company culture is key. Our winning culture focuses on our people, our behaviours and our contribution to societies at large.

PURPOSE- AND PERFORMANCE-DRIVEN

We are a purpose-driven company with high ambitions and clear priorities. We have integrated these into our culture through our triple-A behaviours (alignment, accountability, action).

Our people are critical to delivering on our strategy, and fostering a team-based performance culture is instrumental in enabling us to be the most successful, professional and attractive brewer in our markets.

In SAIL'27, we are building on our strong foundation, maintaining our triple-A behaviours, sharpening leadership expectations, strengthening our talent pipeline and management, and accelerating our diversity, equity & inclusion journey.

LIVING BY OUR COMPASS

Our success is also rooted in doing business responsibly. We have clear standards for ethical behaviour for employees to follow in their daily decision-making. Living by our ethical values – our Compass – mitigates risks and protects our reputation as a responsible brewer.

DIVERSITY, EQUITY & INCLUSION

Diversity, equity & inclusion (DE&I) is a business priority that will help us achieve our ambitions, drive our strategy, deliver on our ESG targets and live our purpose. We strive to create and sustain a working environment that actively embraces diversity and fosters inclusion, ensuring that people are completely at ease to be their true selves when they come to work at Carlsberg. Our DE&I agenda is leader owned and part of our leadership expectations. We are committed to further improving diversity in our workforce, and in 2022 we defined time bound targets: we want the share of the underrepresented gender – currently women – in senior leadership positions to be at least 30% by 2024 and at least 35% by 2027. Our long-term target is a share of at least 40%.

DE&I SITS AT **THE HEART OF OUR PURPOSE**

A **cornerstone of our culture** is our commitment to diversity, equity & inclusion (DE&I), which sits at the heart of our purpose.

DE&I ENABLES A **HIGH-PERFORMING ORGANISATION**

We want to build an inclusive culture that is truly understanding of others, fair and unafraid of differences, and where we **harvest from diverse backgrounds, experiences and perspectives** that bring the innovation and ideas needed to succeed as a high-performing organisation.

EQUITY IS FUNDAMENTAL TO DIVERSITY AND INCLUSION

Equity means the acknowledgement that everyone has different needs, experiences and opportunities by recognising and taking action to address any barriers that exist for them. **Equity implies fairness rather than sameness.**

DIVERSITY IS **IN OUR DNA**

Our 140 brands are as diverse as our people, our markets, our consumers and our customers.

Diversity is part of who we are!

AN INCLUSIVE CULTURE **BUILDS A SENSE OF BELONGING** IN OUR EMPLOYEES

We want our employees to have **the freedom to bring their best version of themselves to work**. After all, we are a business all about *moments that bring people together for a better today and tomorrow.*

We are committed to continuous improvement and ensuring a culture of compliance and integrity to drive consistent ethical behaviour in the way we do business within Carlsberg and beyond. Read more about our Compass in the ESG Report.

TOGETHER TOWARDS ZERO AND BEYOND

We were among the first companies to introduce science-based climate targets, aligned with the 1.5°C target in the Paris Agreement on Climate Change, and we set ambitious targets for carbon, water, health & safety and responsible drinking.

This was an integral part of our previous environmental, social and governance (ESG) programme, Together Towards ZERO, launched in 2017.

We have made strong progress towards these targets, including a 57% reduction in carbon emissions and a 31% reduction in water use per hectolitre of beer since 2015.

In August 2022, we launched our enhanced ESG programme, Together Towards ZERO and Beyond (TTZAB), as an integrated part of SAIL'27.

TTZAB – AN ENHANCEMENT

TTZAB is an enhancement of our previous ESG programme that keeps the focus on the areas in which the Group has the most material impact. But we are also moving Beyond that, reinforcing our actions towards ZERO as well as our actions to source responsibly, promote diversity, equity & inclusion, respect human rights, live by our Compass and engage communities responsibly.

Through our continued efforts within Together Towards ZERO and our additional efforts to go Beyond that, we are working to responsibly manage our most material business impacts, while taking actions that contribute positively to society.

Some of the most notable target evolutions pertain to achieving net zero carbon emissions across the value chain by 2040 and replenishing 100% of water consumed at breweries located in areas of high water risk by 2030.

THE NEW ZEROs

With the new programme, we are broadening our focus areas to include new ambitions, targets and activities within agriculture and packaging, enabling us to address a wider range of our most material topics.

Carbon impacts associated with agriculture and the processing of raw materials, as well as the production and disposal of packaging, together amount to more than 65% of our total value chain carbon emissions (Scope 1, 2 and 3 emissions).

The implementation of regenerative agricultural practices – which enhance biodiversity, soil health and natural carbon sequestration on farmlands – alongside the implementation of circular packaging solutions will enable critical carbon reductions from growing barley to recycling bottles and cans.

By addressing and managing our impacts within agriculture and packaging, we will accelerate our progress towards a net zero value chain by 2040.

Read about our Winning Culture, including much more about Together Towards ZERO and Beyond, in the ESG Report.

www.carlsberggroup.com/reports-downloads/carlsberg-group-2022-esg-report/

POWER PURCHASE AGREEMENT IN DENMARK

In 2022, we signed a ten-year contract to power the Fredericia brewery in Denmark with electricity from a new solar farm, expected to be operational from 2024. The agreement with Better Energy – our first off-site power purchase agreement (PPA) – will support development of a new 70-hectare solar park, covering the equivalent of 105 football pitches. Carlsberg will be offtaking a substantial part of the energy produced by the solar farm, specifically 29 GWh per year over a ten-year period. Photo: © Better Energy

SAIL 27 TOGETHER TOWARDS ZERO AND BEYOND

RESPONSIBLE BARLEY IN FRANCE

In order to create the first sustainable and traceable responsible barley supply chain in France, we partnered with malt producer Malteries Soufflet and grain buyer Soufflet Agriculture of InVivo Group. Together with our partners, we brought together 45 farmers, who are implementing a set of regenerative practices to promote biodiversity and reduce carbon emissions. More specifically, these techniques include diversified crop rotations, sowing cover crops during fallow periods, and optimising fertiliser input based on regular soil analyses. Leveraging blockchain technology, we have traceability and can verify responsible production from the field to our brewery. From 2023, 20% of the malt used to brew Kronenbourg 1664 Blonde beer will be sourced from this barley, and we aim to reach 100% by 2026.

SAIL 27 TOGETHER TOWARDS ZERO AND BEYOND

CORPORATE GOVERNANCE

FOCUS ON CORPORATE GOVERNANCE

Our governance framework aims to ensure value creation, safeguard active and transparent stewardship across the Group and reduce risk.

The Carlsberg Breweries Group operates on the same governance framework as the Carlsberg Group where Board committees, including the Audit Committee, are preparing and facilitating Supervisory Board decisions.

A comprehensive description of the Carlsberg Group's corporate governance position is available on www.carlsberggroup.com/who-we-are/corporate-governance.

The Group has policies for a number of key areas, including, but not limited to, anti-bribery & corruption, labour & human rights, diversity, equity & inclusion, competition law, information security & acceptable use, trade sanctions, data protection, data ethics, risk management, finance, marketing, corporate communication, responsible drinking and public & government affairs.

The Supervisory Board is responsible for overseeing that the Executive Committee has an adequate system and resources in place to ensure compliance with these policies.

DIVERSITY

For our reporting on diversity in accordance with section 99b of the Danish Financial Statements Act, we refer to the Management Review in the 2022 Annual report of the Carlsberg Group.

AUDITING

To safeguard the interests of the shareholder and the general public, an independent auditor is appointed at the Annual General Meeting following a proposal from the Supervisory Board, which is based on a recommendation from the Audit Committee of Carlsberg A/S.

INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO THE FINANCIAL REPORTING PROCESS

OVERALL CONTROL ENVIRONMENT

The Supervisory Board and ExCom have overall responsibility for the Carlsberg Group's internal control environment.

The Audit Committee is responsible for monitoring the effectiveness of the overall internal control environment and risk management systems, in particular related to the financial reporting process.
The Group has a number of policies and procedures in key areas of financial reporting, including the Finance Policy, the Accounting Manual, the Controller Manual, the Use of Auditors Policy, the Chart of Authority, the Risk Management Policy, the Financial Risk Management Policy, the Corporate Governance Policy, the Information Security & Acceptable Use Policy, the Records Management & Personal Data Protection Policy, the Stock Exchange Compliance Policy, the Tax Policy and the Code of Ethics & Conduct.

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

The Group's internal control framework for financial reporting is designed to reduce and mitigate financial risks identified and ensure reliable internal and external financial reporting. It defines roles and responsibilities, and provides assurance that key risks are covered by internal control activities.

As a consequence of the Group's growth due to acquisitions, systems and processes are not standardised across all entities.

The Group continuously seeks to strengthen the internal control environment through further standardisation, increased automation, strong analytics and transparent governance.

The financial reporting control framework is monitored through entities' self-assessment of the effectiveness of the implemented controls and continuous testing of performance by the Group's Risk & Internal Control function. The monitoring of the performance of the controls focuses on the adequacy of the controls, their effectiveness and the efficiency of the overall controlling processes.

RISK ASSESSMENT

In the internal control framework for financial reporting, the Group has identified the risks that could have a direct or indirect material impact on the financial statements. Group entities are required to carry out and document the internal controls defined by the Group to cover the key risks identified.

Group entities are required to reassess their controls biannually and must update changes to the control framework for financial reporting, including new risks and controls.

The Group has established information and communication systems to ensure accounting and internal control compliance. During the risk assessment process, Group entities are required to report on missing or inadequate controls.

Each entity assesses any need for compensating controls or for design and implementation of new controls. Furthermore, Group entities are required to maintain mapping of risks related to the segregation of duties and implement necessary compensating controls, thereby continuously strengthening the internal control environment and enforcing optimal segregation of duties in the ERP systems.

CONTROL ACTIVITIES AND MONITORING

The Group has implemented a formalised financial reporting process, budget process, estimates and monthly reporting on actual performance. The accounting information reported by all Group companies is reviewed by controllers with regional or functional in-depth knowledge of the individual companies/functions and by technical accounting specialists.

Controllers are continuously updated on best practice relating to internal financial controls, and trained in new accounting and reporting requirements.

The entities in the Group are dependent on IT systems. Any weaknesses in the system controls or IT environment are compensated for by manual controls in order to mitigate any significant risk relating to the financial reporting.

The quality of processes and associated internal controls are subject to continuous monitoring and testing by the Group's Risk & Internal Control function as well as to regular internal audits.

The Audit Committee's monitoring covers both the internal control environment and business risk. Monitoring of the internal control environment is covered by the Group's control framework for financial reporting.

The financial risks are assessed and reviewed at multiple levels in the Group, including monthly performance review meetings at ExCom level, periodic review of control documentation, and audits performed by Group Internal Audit.

GROUP INTERNAL AUDIT

Group Internal Audit provides objective and independent assessment of the adequacy, effectiveness and quality of the Group's internal controls. Group Internal Audit works in accordance with a charter, which is reviewed periodically and approved by the Audit Committee.

Taking into account the annual review of business risks (see pages 50-52), an internal audit plan is drawn up for the year. The plan is reviewed and approved by the Audit Committee. In 2022, Group Internal Audit conducted audits mainly in the areas of financial reporting controls, brewery operations, compliance (internal and external regulation) and information technology.

In addition, Group Internal Audit continuously assesses the adequacy of actions implemented by management to address previously raised risks and control issues.

SPEAK UP

The Carlsberg Group has a Speak Up system that enables employees to report misconduct. Reports typically relate to suspected violations of the Carlsberg Code of Ethics & Conduct.

The Speak Up system is operated by an external provider and allows concerns to be brought to the attention of the Group Speak Up Review team anonymously, confidentially and via multiple channels.

The Speak Up Review team is responsible for reviewing and overseeing all reported Speak Up matters. Furthermore, an Integrity Committee, chaired by the CFO, oversees the follow-up of major Speak Up investigations and provides a report to ExCom and the Audit Committee at least quarterly.
The Speak Up Summary report contains an overview of all open and closed investigations during the quarter and the time taken to resolve cases.

The Speak Up Review Manual, which clarifies how investigations should be undertaken, is regularly updated to reflect the most recent changes in legislation and new tools used in investigations.

In 2022, there was a relaunch of a communication campaign to raise awareness of the various Speak Up channels available and the importance of speaking up. In Q4 2022, a specific sexual harassment awareness and prevention campaign was launched. Similar campaigns will be repeated every year.

Since the establishment of the Speak Up system, some reports and their subsequent investigation have led to disciplinary sanctions, including dismissal on the basis of violation of the Code of Ethics & Conduct and/or Group policies. The incidents have not had any material impact on the financial results of the Group.

More information regarding the Speak Up system, including reported concerns and disciplinary actions, can be found in the ESG Report.

RISK MANAGEMENT

MANAGING BUSINESS RISKS

In conducting our business and executing our strategy, we seek to manage risks in such a way as to minimise the threats they present.

Our business is subject to a number of risks and uncertainties that could have both short-term and long-term implications for the Group.

The aim of our risk management approach is to address these risks and uncertainties in due time.

GOVERNANCE STRUCTURE

The Supervisory Board is ultimately responsible for the risk management framework and has appointed the Audit Committee to act on its behalf in monitoring the effectiveness of the Group's risk management.

The Audit Committee monitors developments and ensures that plans are in place for managing individual risks, including strategic, operational, financial and compliance risks.

The Executive Committee (ExCom) is responsible for reviewing the overall risk exposure associated with the Group's activities and ensuring that appropriate actions are taken.

SHORT- AND MID-TERM RISK ASSESSMENT

Risks are assessed according to a two-dimensional heat map that estimates the impact of the risk on operating profit or brand/image and the likelihood of the risk materialising.

Based on this assessment, ExCom identifies the high-risk issues for the coming year. ExCom assigns risk owners, who are responsible for mitigating the risks through a programme of risk management activities.

Local and functional risk assessment follows the same principles and methodology as Group-level risk assessment. Risk reporting is incorporated in business reviews.

Group Risk Management is responsible for the Risk Management Policy and Group Finance for facilitating and following up on risk action plans for the most significant risks in connection with business reviews.

LONG-TERM RISK ASSESSMENT

Based on input from various central functions, including finance, legal, sustainability, human resources and investor relations, and regional teams, the Group strategy team identifies risks within the areas of commercial & competition, governance, consumer, macro-economic and geopolitical environment, reputation, supply chain and climate.

For climate-related risks, see our TCFD reporting on page 26.

Based on this risk identification, ExCom evaluates and assesses the Group's risk exposure, applying our two-dimensional heat map methodology, and determines appropriate actions.

RISKS IDENTIFIED FOR 2023

The identified risks for 2023 are shown in the box on the right. Based on the heat map assessment, the highest ranked risks are elaborated on in the following, including in each case a description of the risk and associated mitigation efforts.

The risk movement paragraph indicates whether the likelihood of risk has increased, decreased or is unchanged versus last year.

DIVESTMENT OF RUSSIAN BUSINESS

Risk movement

New.

Description

In March 2022, following Russia's invasion of Ukraine, the Group announced its decision to seek a full divestment of the Russian business.

As the Russian operations are an integrated part of the Group, the separation process is complex. Successful completion of the process of separating the business could be influenced by the political situation in Russia, as governmental approval is required and that could potentially prolong the process.

IDENTIFIED RISKS FOR 2023

RISKS WITH HIGHEST POTENTIAL IMPACT AND LIKELIHOOD

- Divestment of Russian business
- Consumer price elasticity
- Economic instability/recession
- Partnerships
- Legal and regulatory compliance
- Supply chain-related business interruption
- Cyber and IT security

OTHER IDENTIFIED RISKS

- Regulatory changes, incl. duties
- Financial flexibility
- Consumer action in the event of non-performance on ESG matters
- Talent and workforce shortage
- Corporate tax
- Ageing IT infrastructure

While the necessary steps for the divestment were initiated alongside the separation process, the overall political situation in Russia is uncertain. Presidential Decrees have been issued, setting out prohibitions and restrictions on the sale of certain Russian companies, directly or indirectly.

For the time being, it is uncertain how the requirements will affect the divestment process in practice. However, they could potentially impact the timing of the divestment, as authorisation from the Special Government Commission in Russia is required.

Mitigation
As is customary when disposing of businesses, the Group has elected to conduct a structured separation process to eliminate the need for transitional service arrangements to the greatest extent possible.

Immediately after the announcement of the intention to dispose of the Russian operations, a project plan was initiated, outlining the actions required to complete all stages of transferring the business. This involved more than 150 separation workstreams across business functions.

The necessary steps for the divestment were initiated alongside the separation process. Since the announcement, a process has been running to clarify the impact of sanctions and the Russian government's approval process, select advisors, identify potential buyers and formalise the sales process. A buyer-screening process has been initiated, and specific requirements of the bidders defined. A careful screening process is under way to evaluate the bidders' appropriateness to participate in any transaction.

An offer process is expected to commence in Q1 2023 with the aim of signing a divestment agreement by mid-2023.

Read more about the divestment of the Russian business in section 5.1 of the consolidated financial statements.

CONSUMER PRICE ELASTICITY

Risk movement
New.

Description
We are expecting continued inflation in our cost base and will therefore have to increase prices to offset this inflation. Because of consumer price elasticity, higher prices can negatively impact volumes and consequently profits due to under-absorption of fixed costs.

Mitigation
The impact of higher prices will differ between markets. We will continue to apply our WINDFORCE 12 programme, including PIIC (see page 28), to ensure that we take sufficient price increases. However, we will balance the need for price increases with consumers' ability to pay.

As part of this, we will leverage value management to seek the right promotional and packaging mix, while also utilising the strength of our brand portfolio, particularly our strong local power brands in markets where consumers are less resilient to the inflationary pressure.

ECONOMIC INSTABILITY/RECESSION

Risk movement
Unchanged versus last year.

Description
Across our regions, growing inflation, interest rate increases, currency movements and geopolitical tensions are exacerbating the macroeconomic risk.

Economic instability and a possible recession pose a real risk to disposable incomes, possibly impacting beer markets negatively.

Mitigation
As a consequence of the COVID-19 pandemic, in the past couple of years our planning has become flexible and, when necessary, more short term, to allow appropriate actions and adjustments, also within a short time horizon.

Our strategic priorities are well founded in the business, enabling us to leverage our value management capabilities, continue our portfolio optimisation efforts, including premiumisation and continued support of our core mainstream beer portfolio, focus on alcohol-free brews, and increasingly also on other beverage categories, and leverage our Funding the Journey culture.

Our exposure to exchange rate fluctuations and our related actions, including the impact on the income statement and borrowings and our hedging arrangements, are described in sections 4.5, 4.6 and 4.7 of the consolidated financial statements.

In addition, our low financial leverage and our access to short-term financing serve as protection during financial uncertainty.

PARTNERSHIPS

Risk movement
Unchanged versus last year.

Description
We cooperate with partners in some markets in Western Europe and Asia, and we also have local joint venture partners in some Asian and European markets.

Cooperation with most of our partners is positive. However, disagreements with partners on the operational management and strategic direction of partnerships may limit our ability to manage the growth and risk profile of our business.

Over a period of time, we have had serious disagreements with our partner in Carlsberg South Asia Pte Ltd (CSAPL), of which the Group owns 67% and our partner 33%. CSAPL owns 100% of our business in India and 90% of our business in Nepal. Several of the disagreements pertaining to the Shareholders' Agreement between Carlsberg and our partner were referred to arbitration in Singapore. See section 3.4 in the consolidated financial statements for more information.

In Nepal, the local shareholder owning the remaining 10% of the shares in the business is a related party to the Group's partner in CSAPL. Contrary to the Group's legal and contractual rights, the Group's influence on the business operations in Nepal continues to be restricted through actions that hamper its right of decision making and insight into the business. We have contested these actions in Nepal through the local courts. The outcome and the timing of the process is very unpredictable.

See sections 3.4, 5.4 and 5.5 of the consolidated financial statements for more information on our partnerships.

Mitigation

The Group continuously seeks to promote a fair and mutually beneficial development of its partnerships in order to safeguard their success.

We seek to have an ongoing dialogue with our partners to identify issues at an early stage. The relevant members of ExCom are actively involved in partner relationships, participating in the ongoing dialogues to ensure constructive negotiations, and fast and effective resolution of potential issues.

LEGAL AND REGULATORY COMPLIANCE

Risk movement

Unchanged versus last year.

Description

Legal and regulatory compliance risks include competition law and data protection compliance (GDPR), as well as non-compliance with trade sanctions and anti-bribery & corruption regulations. Failure to comply with regulations and Group policies may lead to fines, claims, and brand and reputation damage.

The risk related to trade sanctions is likely to persist, as sanctions imposed on Russia are not expected to be revoked anytime soon. The Group has introduced screening requirements to ensure that our counterparties, banks and logistics operators are not sanctioned entities and that transactions are legal.

In recent years, the Group has experienced competition-law dawn raids in a few jurisdictions. Non-compliance with competition law is a real and growing risk, and the Group is party to certain lawsuits and disputes. These and their significance are described in section 3.4 of the consolidated financial statements.

Mitigation

We continuously strengthen the Group-wide control framework covering legal compliance areas, including, but not limited to, competition law, anti-bribery & corruption, trade sanctions and data protection.

We regularly review and, where necessary, update relevant Group legal and compliance policies, and conduct compulsory training of all relevant employees. In addition, we are rolling out an enhanced third-party screening process to reduce bribery and sanction risks.

We actively set a strong tone from the top and work with our Managing Directors to communicate the importance of compliance and how to mitigate the highest areas of risk in each market.

Read more about our compliance efforts in the "Living by our Compass" section of the ESG Report.

SUPPLY CHAIN-RELATED BUSINESS INTERRUPTION

Risk movement

New.

Description

Risks associated with ensuring sufficient supply of energy and energy-intensive raw and packaging materials, including CO_2, increased during 2022, particularly in Europe. In Asia, supply constraints may emerge due to fast growth.

Mitigation

To offset the risk of energy shortage, during 2022 we launched several initiatives in Western Europe, including boiler conversion to alternative fuels, installation of CO_2 recovery at critical sites and track tankers for redistribution of excess CO_2.

We also built up stocks of critical materials, including glass bottles. Ensuring the right capacity in all markets is a key focus area for the supply chain, and additional capacity is being added in certain Asian markets.

CYBER AND IT SECURITY

Risk movement

Unchanged versus last year.

Description

Like all other businesses, the Carlsberg Group relies heavily on technology and IT infrastructure for its day-to-day business. A cyber attack or non-availability of IT systems could have severe financial, regulatory and reputational consequences for our business.

Mitigation

Our Chief Information Security Officer (CISO) leads an independent cyber security function within our IT organisation. The CISO coordinates risk mitigation plans and activities with ExCom and the Supervisory Board.

As the cyber security threat assessment has intensified in recent years, we have strengthened our protective work to counter the risk.

Furthermore, we deploy a wide array of advanced defensive technologies, as well as continuing to embed our risk management framework in all layers of the organisation. We undertake regular testing of our security controls via an ongoing series of technological audits and breach simulations.

While the threat landscape remains difficult, especially with the latest geopolitical challenges, we continue to invest in improving our security and mitigation activities.

SUPERVISORY BOARD

SUPERVISORY BOARD

HENRIK POULSEN
CHAIR (SINCE 2022)
Nationality: Danish
Year of birth: 1967
Appointed (until): 2021 (2023)

BOARD FUNCTION
Non-executive, independent director.
PROFESSION
Non-executive board director, Senior Advisor to A.P. Moller Holding.
OTHER BOARD POSITIONS
Board Chair Faerch Group.
Board Deputy Chair Novo Nordisk.
Board Member Ørsted, Novo Holdings, Bertelsmann SE & Co.

MAJKEN SCHULTZ
DEPUTY CHAIR (SINCE 2022)
Nationality: Danish
Year of birth: 1958
Appointed (until): 2019 (2023)

BOARD FUNCTION
Non-executive, non-independent director.
PROFESSION
Professor, Ph.D., Copenhagen Business School.
OTHER BOARD POSITIONS
Board Chair Carlsberg Foundation.
Board Member Realdania.

EVA VILSTRUP DECKER
Nationality: Danish
Year of birth: 1964
Appointed (until): 2014 (2026)

BOARD FUNCTION
Employee representative.
PROFESSION
Senior Director, Carlsberg Breweries A/S.
OTHER BOARD POSITIONS
None.

ULRICA FEARN
Nationality: Swedish
Year of birth: 1973
Appointed (until): 2023 (2023)

BOARD FUNCTION
Executive director.
PROFESSION
CFO
OTHER BOARD POSITIONS
None.
PRIOR EXPERIENCE
Ulrica joined the Carlsberg Group on 1 January 2023. Before joining Carlsberg, Ulrica was CFO of Equinor, Norway. Prior to Equinor, she was Director, Group Finance at BT Group. She began her career at Diageo, where she spent almost 20 years in various senior finance and other management roles across Europe, APAC and the USA.

CEES 'T HART
Nationality: Dutch
Year of birth: 1958
Appointed (until): 2015 (2023)

BOARD FUNCTION
Executive director.
PROFESSION
CEO
OTHER BOARD POSITIONS
Board Chair KLM.
Board Member AFKLM.

PRIOR EXPERIENCE
Prior to joining the Carlsberg Group, Cees was CEO of the Dutch dairy company Royal FrieslandCampina, a position he had held since 2008. Prior to FrieslandCampina, Cees spent 25 years with Unilever, holding management positions across Eastern Europe, Western Europe and Asia and with the last position being member of the Europe Executive Board.

THOMAS PALUDAN-MÜLLER
Nationality: Danish
Year of birth: 1972
Appointed (until): 2020 (2026)

BOARD FUNCTION
Employee representative.
PROFESSION
Director Liquid & Packaging Implementation, Carlsberg Breweries A/S.
OTHER BOARD POSITIONS
None.

PETER PETERSEN
Nationality: Danish
Year of birth: 1969
Appointed (until): 2022 (2026)

BOARD FUNCTION
Employee representative.
PROFESSION
President of the Staff Association. Process Lead, Carlsberg Supply Company Danmark.
OTHER BOARD POSITIONS
None.

EXECUTIVE BOARD

CEES 'T HART
CEO OF CARLSBERG A/S and **CARLSBERG BREWERIES A/S**

ULRICA FEARN
CFO OF CARLSBERG A/S and **CARLSBERG BREWERIES A/S**

The Supervisory Board members' full CVs, including their skills and competences, are available online

www.carlsberggroup.com/who-we-are/about-the-carlsberg-group/supervisory-board/

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements, including statements about the Group's sales, revenues, earnings, spending, margins, cash flow, inventory, products, actions, plans, strategies, objectives and guidance with respect to the Group's future operating results.

Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "believe, anticipate, expect, estimate, intend, plan, project, will be, will continue, will result, could, may, might", or any variations of such words or other words with similar meanings.

Any such statements are subject to risks and uncertainties that could cause the Group's actual results to differ materially from the results discussed in such forward-looking statements.

Prospective information is based on management's then current expectations or forecasts. Such information is subject to the risk that such expectations or forecasts, or the assumptions underlying such expectations or forecasts, may change.

The Group assumes no obligation to update any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Some important risk factors that could cause the Group's actual results to differ materially from those expressed in its forward-looking statements include, but are not limited to: economic and geopolitical uncertainty (including interest rates and exchange rates), financial and regulatory developments, demand for the Group's products, increasing industry consolidation, competition from other breweries, the availability and pricing of raw materials and packaging materials, cost of energy, production- and distribution-related issues, information technology failures, breach or unexpected termination of contracts, market-driven price reductions, market acceptance of new products, changes in consumer preferences, launches of rival products, stipulation of fair value in the opening balance sheet of acquired entities, litigation, environmental issues and other unforeseen factors.

New risk factors can arise, and it may not be possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on the Group's business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

Accordingly, forward-looking statements should not be relied on as a prediction of actual results.

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

DKK million	Section	2022	2021[1]
Revenue	1.2	70,265	60,097
Cost of sales	1.3.1	-38,198	-31,528
Gross profit		**32,067**	**28,569**
Sales and distribution expenses	1.3.3	-17,337	-14,872
Administrative expenses		-4,189	-3,894
Other operating activities, net	1.3.4	97	75
Share of profit after tax of associates	5.5	675	259
Operating profit before special items		**11,313**	**10,137**
Special items, net	3.1	-94	623
Financial income	4.1	358	571
Financial expenses	4.1	-1,072	-956
Profit before tax		**10,505**	**10,375**
Income tax	6.1	-1,844	-2,115
Profit from continuing operations		**8,661**	**8,260**
Net result from Russian operations held for sale		-6,490	-284
Profit for the period		**2,171**	**7,976**
Attributable to			
Non-controlling interests	1.2	1,171	1,163
Shareholder in Carlsberg Breweries A/S (net profit)		1,000	6,813

[1] Comparative figures for 2021 have been restated, cf. section 5.1.

STATEMENT OF COMPREHENSIVE INCOME

DKK million	Section	2022	2021
Profit for the period		**2,171**	**7,976**
Other comprehensive income			
Retirement benefit obligations	7.4	594	577
Share of other comprehensive income in associates	5.5	-	10
Income tax	6.1	-75	20
Items that will not be reclassified to the income statement		**519**	**607**
Foreign exchange adjustments of foreign entities	4.1	-3,926	3,307
Fair value adjustments of hedging instruments	4.1	-759	-323
Income tax	6.1	100	83
Items that will be reclassified to the income statement		**-4,585**	**3,067**
Other comprehensive income		**-4,066**	**3,674**
Total comprehensive income		**-1,895**	**11,650**
Attributable to			
Non-controlling interests		603	1,120
Shareholder in Carlsberg Breweries A/S		-2,498	10,530
Total comprehensive income for the period arises from			
Continuing operations		9,013	10,396
Russian operations held for sale		-10,908	1,254
Total comprehensive income		**-1,895**	**11,650**

STATEMENT OF FINANCIAL POSITION

DKK million	Section	31 Dec. 2022	31 Dec. 2021
ASSETS			
Non-current assets			
Intangible assets	2.2, 2.3	40,526	57,267
Property, plant and equipment	2.2, 2.3	23,580	26,552
Investments in associates	5.5	4,796	4,671
Receivables	1.6	934	1,073
Tax assets	6.2	1,704	1,905
Total non-current assets		**71,540**	**91,468**
Current assets			
Inventories	1.3.1	5,718	5,391
Trade receivables	1.6	5,071	5,715
Tax receivables		208	146
Other receivables	1.6	2,516	2,683
Prepayments		964	929
Cash and cash equivalents	4.4.2	8,163	8,344
Current assets		**22,640**	**23,208**
Assets in disposal group held for sale	5.1	11,618	62
Total current assets		**34,258**	**23,270**
Total assets		**105,798**	**114,738**

DKK million	Section	31 Dec. 2022	31 Dec. 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	4.3.2	498	499
Reserves		-41,711	-37,691
Retained earnings		63,694	71,271
Equity, shareholder in Carlsberg Breweries A/S		**22,481**	**34,079**
Non-controlling interests		2,820	3,259
Total equity		**25,301**	**37,338**
Non-current liabilities			
Borrowings	4.2, 4.4.1	22,865	22,755
Retirement benefit obligations	7.4	1,525	2,319
Tax liabilities	6.2	4,168	5,663
Provisions	3.2	2,283	2,441
Other liabilities	3.3	305	449
Total non-current liabilities		**31,146**	**33,627**
Current liabilities			
Borrowings	4.2, 4.4.1	6,172	6,176
Trade payables		21,906	20,668
Deposits on returnable packaging materials	1.3.2	1,627	1,504
Provisions	3.2	782	895
Tax payables		970	1,344
Other liabilities	3.3	13,794	13,186
Current liabilities		**45,251**	**43,773**
Liabilities in disposal group held for sale	5.1	4,100	-
Total current liabilities		**49,351**	**43,773**
Total liabilities		**80,497**	**77,400**
Total equity and liabilities		**105,798**	**114,738**

The Russian operations are presented as assets/liabilities in disposal group held for sale in 2022. Comparative figures have not been restated, meaning the Russian operations are included line by line in the statement of financial position for 2021. For more information, see section 5.1.

STATEMENT OF CHANGES IN EQUITY

DKK million	Section	Shareholder in Carlsberg Breweries A/S							
2022		Share capital	Currency translation[1]	Hedging reserves[1]	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January		**499**	**-37,198**	**-493**	**-37,691**	**71,271**	**34,079**	**3,259**	**37,338**
Profit for the period		**-**	**-**	**-**	**-**	**1,000**	**1,000**	**1,171**	**2,171**
Other comprehensive income	4.3.4	**-**	**-3,691**	**-329**	**-4,020**	**522**	**-3,498**	**-568**	**-4,066**
Total comprehensive income for the period		**-**	**-3,691**	**-329**	**-4,020**	**1,522**	**-2,498**	**603**	**-1,895**
Capital reduction	4.3.2	-1	-	-	-	-4,499	-4,500	-	-4,500
Refund to parent company for exercise of share-based payments		-	-	-	-	-92	-92	-	-92
Change in expected future refunds for exercise of share-based payments		-	-	-	-	207	207	-	207
Share-based payments	7.3	-	-	-	-	107	107	-	107
Dividend paid to the shareholder	4.3.3	-	-	-	-	-3,486	-3,486	-1,042	-4,528
Non-controlling interests		-	-	-	-	-1,336	-1,336	-	-1,336
Total changes in equity		**-1**	**-3,691**	**-329**	**-4,020**	**-7,577**	**-11,598**	**-439**	**-12,037**
Equity at 31 December		**498**	**-40,889**	**-822**	**-41,711**	**63,694**	**22,481**	**2,820**	**25,301**

[1] The currency translation and hedging reserves within equity related to Russian operations held for sale represent losses of DKK 39.7bn and DKK 0.6bn respectively (31 December 2021: losses of DKK 37.0bn and DKK 0.5bn). Upon completion of the disposal, the accumulated currency translation reserve within equity related to the Russian operations will be reclassified from equity to the income statement and included in the net result from the Russian operations.

DKK million	Section	Shareholder in Carlsberg Breweries A/S							
2021		Share capital	Currency translation	Hedging reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January		**500**	**-40,215**	**-609**	**-40,824**	**70,569**	**30,245**	**2,624**	**32,869**
Profit for the period		**-**	**-**	**-**	**-**	**6,813**	**6,813**	**1,163**	**7,976**
Other comprehensive income	4.3.4	**-**	**3,017**	**116**	**3,133**	**584**	**3,717**	**-43**	**3,674**
Total comprehensive income for the period		**-**	**3,017**	**116**	**3,133**	**7,397**	**10,530**	**1,120**	**11,650**
Capital reduction	4.3.2	-1	-	-	-	-3,999	-4,000	-	-4,000
Refund to parent company for exercise of share-based payments		-	-	-	-	-136	-136	-	-136
Change in expected future refunds for exercise of share-based payments		-	-	-	-	-268	-268	-	-268
Share-based payments	7.3	-	-	-	-	68	68	-	68
Dividend paid to the shareholder	4.3.3	-	-	-	-	-3,260	-3,260	-499	-3,759
Non-controlling interests		-	-	-	-	957	957	-16	941
Acquisition of entities		-	-	-	-	-57	-57	131	74
Deconsolidation of entities		-	-	-	-	-	-	-101	-101
Total changes in equity		**-1**	**3,017**	**116**	**3,133**	**702**	**3,834**	**635**	**4,469**
Equity at 31 December		**499**	**-37,198**	**-493**	**-37,691**	**71,271**	**34,079**	**3,259**	**37,338**

An adjustment was included in the opening balance of equity for 2021 to correct a prior period error in the share of equity attributed to the non-controlling interest. The adjustment reduced the non-controlling interests' share of equity by DKK 1.4bn with a corresponding increase in the share of equity attributed to the shareholder in Carlsberg Breweries A/S, cf. section 9.1

STATEMENT OF CASH FLOWS

DKK million	Section	2022	2021[1]
Operating profit before special items		11,313	10,137
Depreciation, amortisation and impairment losses	2.3	4,172	4,221
Operating profit before depreciation, amortisation and impairment losses		**15,485**	**14,358**
Other non-cash items		-638	-368
Change in trade working capital		1,960	728
Change in other working capital		-679	244
Restructuring costs paid		-183	-353
Interest etc. received		223	67
Interest etc. paid		-1,173	-910
Income tax paid		-2,201	-1,948
Cash flow from operating activities	1.5	**12,794**	**11,818**
Acquisition of property, plant and equipment and intangible assets	2.3	-4,225	-3,897
Disposal of property, plant and equipment and intangible assets		283	254
Change in on-trade loans	1.6	129	148
Total operational investments		**-3,813**	**-3,495**
Free operating cash flow		**8,981**	**8,323**
Acquisition and disposal of subsidiaries, net	5.3	-	-621
Acquisition and disposal of associates, net	5.3	-48	48
Acquisition and disposal of financial investments, net		-20	-
Change in financial receivables		196	-188
Dividends received		282	291
Total financial investments		**410**	**-470**
Cash flow from investing activities		**-3,403**	**-3,965**
Free cash flow		**9,391**	**7,853**
Shareholder in Carlsberg Breweries A/S	4.3.3	-7,986	-7,260
Non-controlling interests	4.3.3	-1,042	-550
External financing	4.4.1	-438	-777
Cash flow from financing activities		**-9,466**	**-8,587**
Net cash flow from continuing operations		**-75**	**-734**
Net cash flow from Russian operations held for sale	5.1	1,771	662
Net cash flow		**1,696**	**-72**
Cash and cash equivalents at 1 January		8,344	7,958
Foreign exchange adjustment of cash and cash equivalents		-683	458
Cash and cash equivalents included in disposal group held for sale		-1,194	-
Cash and cash equivalents at 31 December	4.4.2	**8,163**	**8,344**

[1] Comparative figures for 2021 have been restated, cf. section 5.1.

SECTION 1

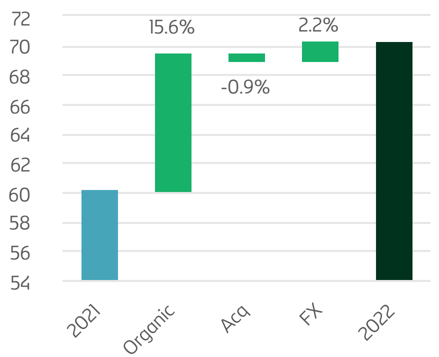
OPERATING ACTIVITIES

70.3bn

REVENUE (DKK)

Revenue grew by 16.9% to DKK 70,265m (2021: DKK 60,097m). Revenue was positively impacted by the recovery of the on-trade in many markets in the first part of the year due to fewer restrictions. In addition, revenue was positively impacted by a positive brand mix and price increases during the year. The negative net acquisition impact was due to the deconsolidation of Gorkha Brewery at the end of 2021.

REVENUE DEVELOPMENT (%)



The positive currency impact related to the Chinese and Swiss currencies, which more than offset the depreciation of the Laotian kip and Ukrainian hryvinia.

45.6%

GROSS MARGIN

Although gross profit/hl increased by 7%, the gross margin declined by 190bp to 45.6% due to increased cost of sales.

11.3bn

OPERATING PROFIT (DKK)

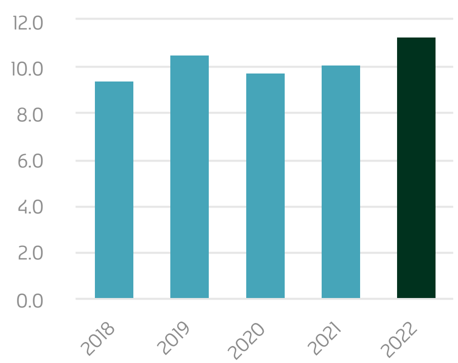
Operating expenses increased by 15%, mainly impacted by significantly higher sales and marketing expenses in support of our brands and activities, and higher distribution expenses as a result of the on-trade recovery and higher energy costs. Operating expenses as a percentage of revenue declined by 60bp.

Operating profit before depreciation, amortisation and impairment losses (EBITDA) increased by 7.8% to DKK 15,485m. The EBITDA margin declined by 190bp to 22.0%, impacted by the lower gross margin and higher operating expenses.

Group operating profit grew by 11.6% to DKK 11,313m, driven by strong growth in Asia and Western Europe, while operating profit in Central & Eastern Europe was up by only 1.1%, impacted by the war in Ukraine.

The operating margin declined by 80bp to 16.1%, mainly due to the higher commodity prices and energy costs.

OPERATING PROFIT DEVELOPMENT (DKKbn)



2018-2020 as reported. 2021-2022 for continuing operations.

1.0bn

NET PROFIT (DKK)

Special items, net, amounted to DKK -94m (2021: DKK 623m). Special items are detailed in section 3.1.

Financial items, net, amounted to DKK -714m (2021: DKK -386m). Excluding currency gains and losses, financial items, net, amounted to DKK -491m (2021: DKK -331m). The increase was mainly due to 2021 being positively impacted by the reversal of the previous write-down of the loan to our partner in Carlsberg South Asia Pte Ltd. (CSAPL). Net interest expenses decreased slightly due to lower average funding costs. Financial items are detailed in section 4.1.

Tax totalled DKK -1,844m (2021: DKK -2,115m). The effective tax rate declined by -290bp to 17.5%, mainly as a result of a one-off adjustment related to prior years. Tax is detailed in section 6.1.

Profit for the period, continuing operations, was DKK 8,661m (2021: DKK 8,260m).

Net result from Russian operations held for sale amounted to DKK -6.5bn due to the DKK -8.4bn write-down of the Russian business as detailed in section 5.1.

Carlsberg Breweries Group's share of profit for the period was DKK 1,000m (2021: DKK 6,813m. Non-controlling interests' share of profit for the period was DKK 1,171m (2021: DKK 1,163m).

12.8bn

OPERATING CASH FLOW (DKK)

Cash flow from operating activities amounted to DKK 12,794m (2021: DKK 11,818m).

The change in trade working capital was DKK +1,960m (2021: DKK +728m), mainly due to strong cash management discipline and higher trade payables. Average trade working capital to revenue for the year was -21.4%, roughly on par with 2021 (-19.4%).

The change in other working capital was DKK -679m (2021: DKK +244m), mainly impacted by VAT.

Restructuring costs paid amounted to DKK -183m (2021: DKK -353m). Net interest etc. paid amounted to DKK -950m (2021: DKK -843m). The increase was mainly due to the settlement of financial instruments. Corporation tax paid was DKK -2,201m (2021: DKK -1,948m).

9.4bn

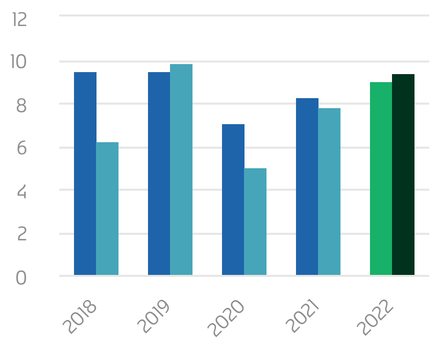
FREE CASH FLOW (DKK)

Free cash flow amounted to DKK 9,391m (2021: DKK 7,853m), while free operating cash flow amounted to DKK 8,981m (2021: DKK 8,323m).

Operational investments totalled DKK -3,813m (2021: DKK -3,495m). Acquisition of property, plant and equipment and intangible assets (CapEx) including real estate amounted to DKK -4,225m (2021: DKK -3,897m).

Total financial investments amounted to DKK +410m (2021: DKK -470m), change is mainly attributable to deferred considerations related to the acquisition of Marston's brewing activities and the deconsolidation of the business in Nepal, both in 2021 as detailed in section 5.3.

FREE CASH FLOW (DKKbn)



2018-2020 as reported. 2021-2022 for continuing operations.

SECTION 1.1

SIGNIFICANT EVENTS IN THE PERIOD

On 28 March 2022, the Group announced its decision to seek a full divestment of the Russian business. Management considered that the Russian operations met the criteria to be classified as held for sale, as the business was available for immediate sale in its current condition, and the actions to complete the sale had been initiated and were expected to be completed within one year from the date of reclassification. The Russian business was classified as a disposal group held for sale and measured at fair value less cost of disposal.

The fair value assessment is based on estimations of the net present value of expected future cash flows, and not on offers or price indications from potential buyers. The fair value of the business in Russia is highly sensitive to changes in the key assumptions applied.

As of 1 January 2022 and until completion of the divestment, the Russian business will be presented separately in the main statements. Measurement of Group performance and calculation of key performance indicators are carried out for the continuing operations only. Comparative figures for 2021 for the income statement and the statement of cash flows have been restated accordingly, along with the associated disclosures. The statement of financial position has not been restated.

For more details of discontinued operations and disposal group held for sale, see section 5.1.

SECTION 1.2

SEGMENTATION OF OPERATIONS

CHANGE IN CENTRAL & EASTERN EUROPE

Following the announcement on 28 March 2022 that the Group would seek full disposal of the business in Russia, the Group's Central & Eastern Europe segment was changed effective 1 January 2022. Accordingly, the Russian business was separated out of the Central & Eastern Europe region and reported as Russian operations held for sale. There have not been any other changes to the segment structure. The disclosure in the Annual Report follows the new segmentation as used in the internal reporting to the Executive Committee since the announcement.

Segmentation of income statement

DKK million

2022	Western Europe	Asia	Central & Eastern Europe	Not allocated	Carlsberg Breweries Group, total
Revenue	**34,888**	**23,682**	**11,679**	**16**	**70,265**
Total cost	-30,245	-18,553	-9,415	-1,414	-59,627
Share of profit after tax of associates	323	306	18	28	675
Operating profit before special items	**4,966**	**5,435**	**2,282**	**-1,370**	**11,313**
Special items, net					-94
Financial items, net					-714
Profit before tax					**10,505**
Income tax					-1,844
Profit from continuing operations					**8,661**
Net result from Russian operations held for sale					-6,490
Profit for the period					**2,171**
Operating margin	14.2%	22.9%	19.5%		16.1%

2021	Western Europe	Asia	Central & Eastern Europe	Not allocated	Carlsberg Breweries Group, total
Revenue	**30,501**	**19,459**	**10,128**	**9**	**60,097**
Total cost	-26,324	-14,653	-7,885	-1,357	-50,219
Share of profit after tax of associates	195	49	14	1	259
Operating profit before special items	**4,372**	**4,855**	**2,257**	**-1,347**	**10,137**
Special items, net					623
Financial items, net					-385
Profit before tax					**10,375**
Income tax					-2,115
Profit from continuing operations					**8,260**
Net result from Russian operations held for sale					-284
Profit for the period					**7,976**
Operating margin	14.3%	24.9%	22.3%		16.9%

SECTION 1.2 (CONTINUED)

SEGMENTATION OF OPERATIONS

REVENUE

The Group's revenue arises primarily from the sale of beverages to its customers.

In 2022, total revenue was positively impacted by volume growth and revenue/hl growth across all regions, partly offset by the deconsolidation of Gorkha Brewery.

Other revenue by category is sales of products other than beverages that do not drive any volume, such as merchandise, services, by-products etc. In aggregate, other revenue accounts for around 1% of Group total revenue and is therefore not considered material.

Not allocated revenue, DKK 16m (2021: DKK 9m), consisted of DKK 733m (2021: DKK 894m) in revenue and DKK -717m (2021: DKK -885m) from eliminations of sales between the geographical segments.

The distribution of revenue between beer and other beverages relative to volumes is largely the same across regions.

Revenue by category

DKK million	2022	2021
Beer revenue	53,466	46,720
Other beverages	15,928	12,705
Other revenue	871	672
Total revenue	**70,265**	**60,097**

Revenue and excise duties

DKK million	2022	2021
Revenue, including excise duties	95,147	82,883
Excise duties	-24,882	-22,786
Revenue	**70,265**	**60,097**

Geographical allocation of revenue

DKK million	2022	2021
Denmark (Carlsberg Breweries A/S' domicile)	4,487	3,897
China	13,781	11,946
United Kingdom	7,070	5,965
Other countries	44,927	38,289
Total	**70,265**	**60,097**

VOLUMES

The organic growth in total volumes was a result of growth in Asia and Western Europe, while Central & Eastern Europe was impacted by declining volumes in Ukraine. Reported volume growth was negatively affected by the deconsolidation of Gorkha Brewery at the end of 2021.

OPERATING PROFIT BEFORE SPECIAL ITEMS

Not allocated operating profit before special items, DKK -1,370m (2021: DKK -1,347m), related to central costs not managed by the regions, including costs of developing branding activities to support the strategic initiatives and general costs of centralised functions as well as various eliminations of DKK 82m (2021: DKK 62m). Group operating profit grew by 11.6%, supported by growth in all three regions. Organic growth in operating profit was 10.6%.

OPERATING MARGIN

The operating margin declined to 16.1% compared to 16.9% in 2021. The decline was due to margin pressure from higher commodity prices.

NON-CONTROLLING INTERESTS

The Group's non-controlling interests consist of Lao Brewery, Carlsberg Chongqing Breweries Group, Carlsberg Malaysia Group and Carlsberg Marston's Brewing Group, as well as other minor interests, primarily in the Asia region. Non-controlling interests are not individually material to the Group's total profit.

Group financial performance

		Change				Change
Volumes (million hl)	**2021**	**Organic**	**Acq., net**	**FX**	**2022**	**Reported**
Beer	98.8	4.2%	-0.6%	-	102.4	3.6%
Other beverages	20.4	12.9%	-0.1%	-	23.0	12.8%
Total volume	**119.2**	**5.7%**	**-0.5%**	**-**	**125.4**	**5.2%**
DKK million						
Revenue	60,097	15.6%	-0.9%	2.2%	70,265	16.9%
Operating profit	10,137	10.6%	-1.0%	2.0%	11,313	11.6%
Operating margin (%)	16.9				16.1	-80bp

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group considers all terms and activities in contracts with customers in order to determine the performance obligation, the transaction price and the allocation of the transaction price.

If the consideration in a contract includes a variable amount, the Group estimates the consideration to which it will be entitled in exchange for transferring goods to the customer. The variable consideration is estimated at contract inception based on expected sales volumes using historical and year-to-date sales data and other information about trading with the individual customer or with a group of customers.

The Group estimates discounts using either the expected value method or the most likely amount method, depending on which method better predicts the amount of consideration to which it will be entitled.

The most likely amount method is used for contracts with a single contract sum, while the expected value method is used for contracts with more than one threshold due to the complexity and the activities agreed with the individual customer.

Certain contracts related to specific major events that are held within such a short time period that it is not possible to sell all the goods during the event (e.g. football matches) give the customer the right to return the goods within a specified period.

The Group uses the expected value method to estimate the goods that will not be returned, as this method best predicts the amount of variable consideration to which the Group will be entitled. For goods that are expected to be returned, the Group recognises a refund liability instead of revenue.

Management makes judgements when deciding whether supporting activities with a customer should be classified as a discount or a marketing expense. Generally, activities with the individual customer are accounted for as a discount, whereas costs related to broader marketing activities are classified as marketing expenses.

SECTION 1.2 (CONTINUED)

SEGMENTATION OF OPERATIONS

Whether the Group is acting as a principal or an agent is evaluated by management on a country-by-country basis. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods before transferring them to the customer.

Excise duties, taxes and fees

The classification of duties, taxes and fees paid to local authorities or brewery organisations etc. requires judgements on the classification to be made by management.

Locally imposed duties, taxes and fees are typically based on product type, alcohol content, consumption of certain raw materials, such as glue, plastic or metal in caps, and energy consumption. These are classified as either sales- or production-related.

Excise duties are generally imposed by the tax authorities as taxes on consumption and are collected by the Group on behalf of the authorities when the goods are transferred to the customers and thereby ready for consumption.

Taxes and fees related to the input/use of goods in production, distribution etc. are recognised as part of the cost of the goods or services purchased. The type of authority or organisation imposing the duty, tax or fee and the objective of this are key factors when determining the classification.

ACCOUNTING POLICIES

Revenue

Recognition and measurement

Revenue from contracts with customers comprises sales of goods, royalty income, rental income from non-stationary equipment, service fees and sales of by-products.

Revenue from the sale of own-produced finished goods, goods for resale (third-party products) and by-products is recognised at the point in time when the control of goods and products is transferred to the customer, which is generally upon delivery. For contracts providing the customer with a right of return within a specified period, the Group considers the timing of recognition.

Revenue from sales- or usage-based royalties is recognised when (a) the customer subsequently sells or uses the goods, or (b) the performance obligation to which some or all of the sale- or usage-based royalty has been allocated is satisfied (or partially satisfied), whichever is later.

Revenue from contracts with customers is measured at an amount that reflects the expected consideration for those goods. Amounts disclosed as revenue exclude discounts, VAT and excise duties collected on behalf of authorities.

The Group considers whether contracts include separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effects of variable consideration. No element of financing is deemed present, as payment is generally made on the basis of cash on delivery or up to 30 days of credit.

Variable consideration

The Group offers various discounts depending on the nature of the customer and business.

Discounts comprise off-invoice discounts, volume- and activity-related discounts, including specific promotion prices offered, and other discounts. Furthermore, discounts include the difference between the present value and the nominal amount of on-trade loans to customers, cf. section 1.6.

Off-invoice discounts arise from sales transactions where the customer immediately receives a reduction in the sales price. This also includes cash discounts and incentives for early payments.

Volume- and activity-related discounts is a broad term covering incentives for customers to sustain business with the Group over a longer time and may be related to a current campaign or a sales target measured in volumes or total value. Examples include discounts paid as a lump sum, discounts for meeting certain sales targets or progressive discounts offered in step with increasing sales to a customer.

Other discounts include listing fees, i.e. fees for certain listings on shelves, in coolers or in favourable store locations, as specific promotions of this nature are closely related to the volumes sold.

Segment information

The Group's beverage activities are segmented according to the three geographical regions where sales take place. These regions make up the Group's reportable segments.

The segmentation reflects the geographical and strategic management, decision and reporting structure applied by the Executive Committee for monitoring the Group's strategic and financial targets. Segments are managed based on business performance measured as operating profit before special items.

Not allocated comprises income and expenses incurred for ongoing support of the Group's overall operations and strategic development. The expenses include costs of running central functions and marketing, such as global sponsorships.

The geographical allocation of revenue and non-current assets is based on the selling entities' domicile and comprises countries individually accounting for more than 10% of the Group's consolidated revenue as well as the domicile country.

Decisions on restructuring, acquisition and divestment of entities included in special items as well as on financing (financial income and expenses) and tax planning (income tax) are made based on information for the Group as a whole and therefore not segmented.

The segmentation of the Group's assets and returns is disclosed in section 2.1.

Reported figures

Reported figures are analysed by looking at the impact of organic growth, net acquisitions and foreign exchange effects.

The net acquisition effect is calculated as the effect of acquisitions and divestments, including any share obtained from an increase/decrease in ownership of associates, for a 12-month period from the acquisition/divestment date.

The foreign exchange effect is calculated as the difference between the figures for the current reporting period translated at the current exchange rates and at the exchange rates applied in the previous reporting period.

Organic growth is the remaining growth that is not related to acquisitions, divestments or foreign exchange effects.

SECTION 1.3

OPERATING EXPENSES, INVENTORIES AND DEPOSIT LIABILITIES

1.3.1 COST OF SALES AND INVENTORIES

Cost of sales increased by 21% compared with 2021, mainly due to higher commodity prices and energy costs across regions and the organic increase in volumes in Asia and Western Europe. Cost of sales per hl increased by 15% compared with 2021.

Cost of sales

DKK million	2022	2021
Cost of materials	21,655	17,190
Direct staff costs	1,521	1,307
Amortisation and depreciation	2,536	2,749
Indirect production overheads	4,788	3,902
Purchased finished goods and other costs	7,698	6,380
Total	**38,198**	**31,528**

Inventories increased by 6% compared with 2021, mainly as a result of finished goods being impacted by the increase in cost of sales per hl.

Inventories

DKK million	2022	2021
Raw materials	2,333	2,311
Work in progress	344	333
Finished goods	3,041	2,747
Total	**5,718**	**5,391**

Commodity price risks are, in particular, associated with externally sourced input materials, such as malt (barley), cans (aluminium), paper, sugar and glass & plastic (PET) bottles. The management of commodity price risks is coordinated centrally and aimed at achieving stable and predictable prices in the medium term.

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

For barley and aluminium, the two most significant commodity exposures, Group policy is to have a minimum of 70% hedged for a given year no later than at the end of the third quarter of the previous year, with a target hedge ratio of 90% at the beginning of the year in question.

A significant part of the Group's barley exposure for 2022 had therefore been hedged through fixed-price purchase agreements established in 2021. Likewise, the majority of the exposure for 2023 was hedged in 2022.

In the Group's long-term purchase agreements for cans, the aluminium price is variable and based on the global market price of aluminium (London Metal Exchange, LME).

In 2022, the aluminium price risk was hedged using derivative financial instruments applying the same target hedge percentages as are applied for barley. The same has been done for 2023. The fair values of the derivative financial instruments are specified in section 4.8.

For sugar, rolling forward hedges are used, with suppliers fixing prices linked to official indices, for example NY11. As for barley and aluminium, the majority of the 2022 sugar exposure had been hedged in 2021. Likewise, the majority of the exposure for 2023 was hedged in 2022.

Other commodities, such as PET resins, paper, rice and corn are also hedged directly via suppliers fixing prices to the extent possible.

For electricity and natural gas, used in production of the Group's own products, most markets in Central & Eastern Europe and Asia are regulated with no possibility to hedge prices. In Western Europe, where most markets allow forward hedging, the majority of the Group's exposure is hedged on a rolling basis.

In January 2023 the Group started to hedge fuel, linked to distribution expenses, via financial contracts – following a similar set-up to how aluminium is hedged.

Hedging of raw material price risk

DKK million

Aluminium	Sensitivity assuming 100% efficiency: Change	Sensitivity assuming 100% efficiency: Effect on OCI	Tonnes purchased	Average price (DKK)	Time of maturity: 2022	Time of maturity: 2023	Time of maturity: 2024
2022	20%	381	116,454	18,304	-	93,608	22,846
2021	20%	313	85,440	15,741	85,440	-	-

Energy	Sensitivity assuming 100% efficiency: Change	Sensitivity assuming 100% efficiency: Effect on OCI	MWh purchased	Average price (DKK)	Time of maturity: < 1 year	Time of maturity: 1-5 years	Time of maturity: > 5 years
2022	20%	34	289,966	420	-	99,123	190,843

ACCOUNTING ESTIMATES AND JUDGEMENTS

At least once a year, management assesses whether the standard cost of inventories approximates the actual cost. During the year, the standard cost is revised if it deviates by more than 5% from the actual cost. Indirect production overheads are calculated on the basis of relevant assumptions as to capacity utilisation, production time and other factors.

The calculation of the net realisable value of inventories is relevant to packaging materials, point-of-sale materials and spare parts. The net realisable value is normally not calculated for beer and soft drinks due to their limited shelf-life, which means that slow-moving goods must be scrapped instead.

ACCOUNTING POLICIES

Cost of sales comprises cost of materials used in own-produced finished goods, including malt (barley), hops, glass, cans, other packaging materials, direct labour, indirect production overheads and standard cost variations. Further, it comprises purchased finished goods that include cost of point-of-sale materials and third-party products sold to customers.

SECTION 1.3 (CONTINUED)

OPERATING EXPENSES, INVENTORIES AND DEPOSIT LIABILITIES

Indirect production overheads comprise indirect supplies, wages and salaries, amortisation of brands and software, as well as maintenance and depreciation of machinery, plant and equipment used for production.

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

Inventories are measured at the lower of standard cost (own-produced finished goods) and weighted average cost (other inventories), or net realisable value. The net realisable value is the estimated selling price less costs of completion and costs necessary to make the sale, also taking into account marketability, obsolescence and developments in expected selling price.

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

1.3.2 DEPOSITS ON RETURNABLE PACKAGING MATERIALS

Deposits on returnable packaging materials amounted to DKK 1,627m (2021: DKK 1,504m). The capitalised value of returnable packaging materials was DKK 1,794m (2021: DKK 1,867m).

The capitalised value of returnable packaging materials exceeds the deposits because each of the returnable packaging items circulates a number of times in the market and some markets have regulations that require the deposit value to be set lower than the cost of the returnable packaging materials.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Management assesses the local business model to determine whether the Group has a legal or constructive obligation to accept returns of packaging materials from the market and the level of control. This entails the Group considering, among other things, the return rate and the annual circulation in the individual markets. These factors are assessed annually. Returnable packaging materials controlled by the Group are capitalised as property, plant and equipment and depreciated over the expected useful life.

The deposit on returnable packaging materials is estimated based on movements during the year in recognised liabilities, loss of returnable packaging materials in the market, planned changes in packaging types and historical information about return rates.

ACCOUNTING POLICIES

Returnable packaging materials that the Group controls through a legal or constructive obligation are capitalised as property, plant and equipment.

Returnable packaging materials are depreciated over 3-10 years. The accounting policies for property, plant and equipment are further described in section 2.3.

The obligation to refund deposits on returnable packaging materials is measured on the basis of deposit price, an estimate of the number of bottles, kegs, cans and crates in circulation, and expected return rates.

1.3.3 SALES AND DISTRIBUTION EXPENSES

Marketing expenses increased as marketing activities were resumed at levels similar to before COVID-19. Distribution expenses were impacted by the volume growth and the 9% increase in cost per hl was driven by higher fuel costs. Total marketing, sales and distribution expenses increased by 17%.

Sales and distribution expenses

DKK million	2022	2021
Marketing expenses	5,793	4,757
Sales expenses	5,120	4,542
Distribution expenses	6,424	5,573
Total	**17,337**	**14,872**

ACCOUNTING POLICIES

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

Brand marketing is an investment in the Group's brands and consists of brand-specific investments in the development of communication vehicles, the use of these to drive the sale of branded products, sales campaigns and sponsorships.

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

Sales expenses comprise costs relating to general sales activities, write-downs for bad debt losses, wages and salaries as well as depreciation and impairment of sales equipment. Distribution expenses comprise costs incurred in distributing goods, wages and salaries, and depreciation and impairment of distribution equipment.

1.3.4 OTHER OPERATING ACTIVITIES, NET

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

Other operating activities, net

DKK million	2022	2021
Gains and losses on disposal of property, plant and equipment and intangible assets, net	79	77
On-trade loans, net	30	58
Real estate, net	19	17
Research centres, net	-80	-106
Other, net	49	29
Total	**97**	**75**

ACCOUNTING POLICIES

Gains and losses on disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the disposal date.

On-trade loans, net, comprise the effective interest on the loans measured at amortised cost less impairment.

Expenses relating to research activities comprise research in France. Product development costs are included in cost of sales.

SECTION 1.4

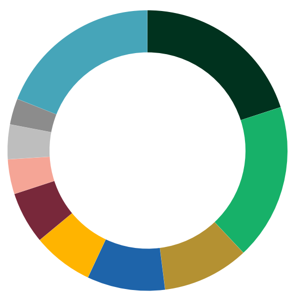
FOREIGN EXCHANGE RISK RELATED TO EARNINGS

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

The risk from exposure to fluctuations in EUR/DKK is considered to be limited due to Denmark's fixed exchange rate policy towards EUR and is consequently not hedged.

REVENUE BY CURRENCY (%)

2022 (2021)



TRANSACTION RISKS ON PURCHASES AND SALES

The Group is exposed to transaction risks on purchases and sales in currencies other than the local functional currencies. The Group aims to hedge 70-90% of future cash flows in currencies other than the local functional currency on a four-quarter rolling basis.

Western Europe

For the entities in Western Europe, a major part of the purchases in foreign currencies is in EUR. This also applies for markets with a functional currency other than EUR.

Hedging of EUR against the local currencies will effectively eliminate a significant part of the currency risk in the entities' operating profit in local currency. At Group level, these hedges are effectively a hedge of (parts of) the revenue in the relevant currency and are accounted for as cash flow hedges, cf. section 4.8. The hedged amounts and the sensitivity analysis regarding these hedges are shown in section 4.6.4.

Asia

The transaction risk is considered to be less significant due to lower sales and purchases in currencies other than the local functional currencies as well as the high correlation between USD and most of the Asian currencies. Furthermore, the currencies are expensive to hedge and, in some cases, not possible to hedge at all. As a consequence, the risk is not hedged.

Central & Eastern Europe

The largest foreign exchange risk in Central & Eastern Europe relates to Ukraine and Kazakhstan and the purchase of raw and packaging materials denominated in foreign currencies. For 2022 and 2023, the Group has chosen to hedge a portion of Carlsberg Ukraine's expenses in EUR and USD by designating bank deposits in these currencies as hedging instruments. Carlsberg Kazakhstan holds intercompany deposits in EUR and USD. The revaluation of these is recognised in financial items, and they are not designated as cash flow hedges, but will in economic terms give the Group some protection from depreciation of the local currency, KZT.

TRANSLATION RISK

The Group is exposed to risk from translation of foreign entities into the Group's presentation currency, DKK.

The single largest translation impact in respect of operating profit in 2022 was CNY due to the 9.0% appreciation of the currency compared with 2021 and the relative share of the Group's operating profit generated in China. Looking into 2023, and following the partial write-down of the net investment in Russia, the most significant currency volatility exposure in terms of operating profit and translation of net investments in foreign entities is CNY.

The Group has chosen not to hedge the exposure arising from translation of revenue or earnings in foreign currencies. To reduce the risk, the Group has raised debt denominated in the currencies in which the Group generates significant earnings and cash flow as further described in section 4.6.

Impact on operating profit

Developments in exchange rates between DKK and the functional currencies had a positive impact of 2.0% on operating profit measured in DKK.

The development in the RUB exchange rate does not impact operating profit but had a positive impact of 28.4% on the net result from Russian operations held for sale. The modest impact compared with the 32.7% change in the average exchange rate for the full year was due to the timing of the majority of the DKK 8.4bn write-down of the assets in disposal group held for sale in March 2022, cf. section 5.1.

Entities in	Functional currency	Change in average FX rate 2021 to 2022
The eurozone	EUR	-
China	CNY	9.0%
Norway	NOK	0.7%
United Kingdom	GBP	0.5%
Switzerland	CHF	7.9%
Sweden	SEK	-4.5%
Laos	LAK	-21.0%
Russia	RUB	32.7%

SECTION 1.5

CASH FLOW FROM OPERATING ACTIVITIES

The change in trade working capital amounted to DKK 1,960m (2021: DKK 728m), mainly due to strong cash management discipline and higher trade payables.

Average trade working capital to revenue for the year was -21.4% (2021: -19.4%).

Other specifications of cash flow from operating activities

DKK million	Section	2022	2021
Other non-cash items			
Share of profit after tax of associates	5.5	-675	-259
Gain on disposal of property, plant and equipment and intangible assets, net	2.3	-79	-77
Share-based payments		107	68
Other items		9	-100
Total		**-638**	**-368**
Trade working capital			
Inventories		-1,271	-539
Trade receivables		-232	-1,710
Trade payables, duties payable and deposits on returnable packaging materials		3,463	2,978
Total		**1,960**	**729**
Other working capital			
Other receivables		-572	-563
Other payables		-12	939
Retirement benefit obligations and other liabilities related to operating profit before special items		-63	-201
Unrealised foreign exchange gains/losses		-32	-4
Total		**-679**	**171**

Cash flow from the change in other working capital declined by DKK 679m (2021: increase of DKK 171m), impacted by VAT, accruals for variable pay and provisions.

The change in on-trade loans amounted to DKK 129m (2021: DKK 148m).

Restructuring costs paid amounted to DKK -183m (2021: DKK -353m), a large part of which relates to termination benefits to employees made redundant due to optimisations and reorganisations across the Group.

Net interest etc. paid amounted to DKK -950m (2021: DKK -843m). The increase was largely due to settlement of derivative financial instruments.

Income tax paid amounted to DKK -2,201m (2021: DKK -1,948m).

Supplier finance arrangements A number of the Group's suppliers participate in supplier finance arrangements, with a supply chain finance provider and related financial institutions acting as a funding partner. When suppliers participate in these programmes, they have the option of receiving early payment from the funding partner of invoices sent to Carlsberg.

The arrangement is exclusively between the supplier and the supply chain finance provider and separate from Carlsberg's relationship with its suppliers. Carlsberg's liability to pay invoices is unaffected by the supplier finance arrangement and whether or not the suppliers opt for early payment, and the liability is recognised in trade payables until the due date of the invoice, which is in no case more than 180 days from the invoice date. Cessation of the supplier finance arrangement would not constitute a significant risk in terms of liquidity because of the amounts involved and the number of supply chain finance providers.

Sale of receivables Carlsberg has chosen to sell some of its trade receivables in selected Western European markets in non-recourse factoring agreements to expedite cash collection from groups of customers. Carlsberg does not carry any credit risk on these customers and has no continuing involvement in these trade receivables, which have therefore been derecognised.

The impact on average trade working capital from the use of supplier finance arrangements and factoring is limited, as the utilisation is similar to previous years.

ACCOUNTING POLICIES

Trade payables are recognised initially at fair value and subsequently measured at cost. Trade payables comprise purchase of goods and services, including payables to supplier finance vendors, and retrospective rebates to customers and are part of the normal working capital cycle. The cash flow arising from all trade payables is part of cash flow from operating activities.

SECTION 1.6

TRADE RECEIVABLES AND ON-TRADE LOANS

The Group's non-current receivables consist mainly of on-trade loans that fall due more than one year from the reporting date. Of the total non-current receivables, DKK 164m (2021: DKK 159m) falls due more than five years from the reporting date.

The carrying amount of receivables approximates their fair value. For on-trade loans, the fair value is calculated as discounted cash flows using the interest rate at the reporting date.

ON-TRADE LOANS

Under certain circumstances, the Group grants loans to on-trade customers in France, the UK, Switzerland, Germany and Sweden. On-trade loans are spread across a large number of customers/debtors and consist of several types of loan, including loans repaid in cash or through reduced discounts and guarantees for loans provided by third parties, cf. section 3.4.. The operating entities monitor and control these loans in accordance with Group guidelines.

The average effective interest rate on loans to the on-trade was 3.5% (2021: 3.2%). The interest income is recognised in other operating activities.

On-trade loans recognised in other operating activities, net

DKK million	2022	2021
Interest and amortisation of on-trade loans	47	49
Losses and write-downs on on-trade loans	-17	9
On-trade loans, net	**30**	**58**

OTHER RECEIVABLES

Other receivables primarily comprise VAT and similar government receivables, interest receivables and other financial receivables, which are associated with low risk.

The distribution of receivables broken down by country is affected by market-specific changes in payment patterns. For receivables from sale of goods and services, the distribution is furthermore impacted by the value of receivables sold. The overall level of receivables sold in non-recourse factoring schemes was similar to the level in 2021.

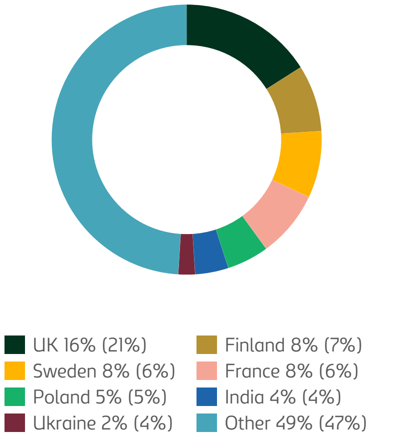
Receivables included in the statement of financial position

DKK million	Non-current		Current	Total
2022	Receivables	Trade receivables	Other receivables	
Receivables from sales of goods and services	-	4,829	-	4,829
On-trade loans	644	242	-	886
Other receivables	290	-	2,516	2,806
Total receivables	**934**	**5,071**	**2,516**	**8,521**
2021				
Receivables from sales of goods and services	-	5,463	-	5,463
On-trade loans	776	252	-	1,028
Other receivables	297	-	2,683	2,980
Total receivables	**1,073**	**5,715**	**2,683**	**9,471**

RECEIVABLES FROM SALES OF GOODS AND SERVICES

(BROKEN DOWN BY COUNTRY)

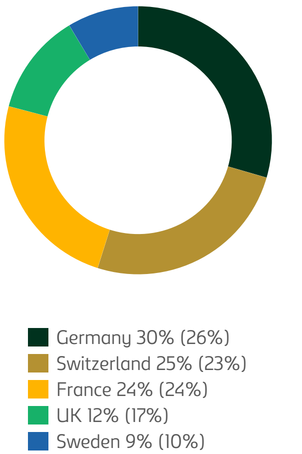
2022 (2021)



ON-TRADE LOANS

(BROKEN DOWN BY COUNTRY)

2022 (2021)



SECTION 1.6 (CONTINUED)

TRADE RECEIVABLES AND ON-TRADE LOANS

1.6.1 CREDIT RISK

In 2022, receivables not past due amounted to 78% (2021: 81%) of total gross receivables. The past-due share of gross loans to on-trade customers was 34% (2021: 31%).

Total accumulated allowances for impairment losses on trade loans were DKK 438m (2021: DKK 464m).

The share of trade receivables that is past-due increased from 15% to 18%.

The credit risk is being closely managed in the markets, and assessed in light of rising instability across markets due to unpredictable energy prices and rising inflation and interest rates. The credit risk from the COVID-19 pandemic decreased. Although the virus is still circulating, the impact on society has lessened significantly, and governments did not impose extensive new lockdowns and restrictions during 2022, except for some areas in Asia. The impact on the global risk pattern is evaluated at both local and Group level. Across regions and markets, customers are being impacted by unpredictable energy prices and rising inflation and interest rates. The market volatility and uncertainty remains high, as customers in many markets had not fully recovered from the COVID-19 impact and are now faced with a challenging macroeconomic environment.

The estimated impairment losses consider the expected impact from the increased risk of default across markets caused by unpredictable energy prices and rising inflation and interest rates. The increased credit risk on both trade receivables and on-trade loans observed across markets is expected to continue into 2023.

Credit risk on receivables

DKK million

2022	Gross receivables	Loss allowance	Receivables, net	Weighted average loss rate
Receivables from sales of goods and services				
Not past due	4,457	-126	4,331	3%
Overdue 1-30 days	483	-133	350	28%
Overdue 31-90 days	191	-62	129	32%
Overdue > 90 days	311	-292	19	94%
Receivables from sales of goods and services	**5,442**	**-613**	**4,829**	
On-trade loans				
Not past due	873	-104	769	12%
Overdue 1-30 days	11	-	11	-
Overdue 31-90 days	30	-7	23	23%
Overdue > 90 days	410	-327	83	80%
On-trade loans	**1,324**	**-438**	**886**	
Other receivables				
Not past due	2,181	-	2,181	-
Overdue 1-30 days	107	-	107	-
Overdue 31-90 days	87	-	87	-
Overdue > 90 days	447	-16	431	4%
Other receivables	**2,822**	**-16**	**2,806**	
Total	**9,588**	**-1,067**	**8,521**	

DKK million

2021	Gross receivables	Loss allowance	Receivables, net	Weighted average loss rate
Receivables from sales of goods and services				
Not past due	5,160	-143	5,017	3%
Overdue 1-30 days	479	-88	391	18%
Overdue 31-90 days	70	-49	21	70%
Overdue > 90 days	371	-337	34	91%
Receivables from sales of goods and services	**6,080**	**-617**	**5,463**	
On-trade loans				
Not past due	1,035	-139	896	13%
Overdue 1-30 days	13	-	13	-
Overdue 31-90 days	55	-22	33	40%
Overdue > 90 days	389	-303	86	78%
On-trade loans	**1,492**	**-464**	**1,028**	
Other receivables				
Not past due	2,398	-2	2,396	0%
Overdue 1-30 days	110	-	110	-
Overdue 31-90 days	98	-5	93	5%
Overdue > 90 days	398	-17	381	4%
Other receivables	**3,004**	**-24**	**2,980**	
Total	**10,576**	**-1,105**	**9,471**	

SECTION 1.6 (CONTINUED)

TRADE RECEIVABLES AND ON-TRADE LOANS

ACCOUNTING ESTIMATES AND JUDGEMENTS

On-trade loan agreements are complex, cover several aspects of the customer relationship and may vary from agreement to agreement. Management assesses the recognition and classification of income and expenses for each agreement, including the allocation of payments from the customer between revenue, discounts, interest (other operating activities) and repayment of the loan.

Management also assesses both individually and on a portfolio basis whether developments in local conditions for on-trade customers could impact the expected credit losses.

Exposure to credit risk on receivables is managed locally, and credit limits are set as considered appropriate for the customer, taking into account the current local market conditions.

The local entities assess the credit risk and adhere to Group guidelines, which include setting credit limits, encouraging cash payment, purchasing credit insurance and holding collateral.

In assessing credit risk, management analyses the need for impairment of trade receivables and on-trade loans due to customers' inability to pay. Credit risk remains high and is expected to continue in 2023.

At year-end 2022, management continued to assess the lifetime expected credit losses for both trade receivables and on-trade loans in line with 2021.

Expected credit losses are assessed for portfolios of receivables based on customer segments, historical information on payment patterns, terms of payment and concentration maturity. The expected impact includes the risk of insolvencies due to lack of liquidity. The portfolios are based on on-trade and off-trade customers, and on-trade receivables and loans.

On-trade loans carry a higher risk than trade receivables and are concentrated in a few markets.

The local entities manage and control these loans in accordance with Group guidelines.

The credit risk on on-trade loans can be reduced by means of 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 they cannot readily be reused.

ACCOUNTING POLICIES

Receivables are recognised initially at fair value and subsequently measured at amortised cost less loss allowance or impairment losses. Trade receivables comprise sale of goods and services as well as short-term on-trade loans to customers. Other receivables comprise VAT receivables, loans to partners and associates, interest receivables and other financial receivables.

For on-trade loans, any difference between the present value and the nominal amount at inception is treated as a prepaid discount to the customer, and the discount 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 on these loans is recognised in other operating activities, net. The amortisation of the difference between the discount rate and the effective interest rate is included as a discount in revenue.

The Group applies the simplified approach to measure expected credit losses. This entails recognising a lifetime expected loss allowance for all trade receivables. Loss rates are determined based on grouping of trade receivables sharing the same credit risk characteristics and past-due days.

Regarding on-trade loans and loans to associates, a loss allowance is recognised based on 12-month or lifetime expected credit losses, depending on whether a significant increase in credit risk has arisen since initial recognition.

In certain markets, the Group enters into factoring agreements on a non-recourse basis, which involves selling trade receivables to a factor. Trade receivables subject to factoring agreements are derecognised once the criteria for derecognition have been met and all substantial risk and rewards transferred. The Group does not have any continuing involvement once the receivables have been derecognised.

Development in impairment losses on receivables

DKK million 2022	Receivables from sales of goods and services	On-trade loans	Other receivables	Total	2021 Total
Impairment at 1 January	-617	-464	-24	-1,105	-1,514
Impairment losses recognised	-135	-114	-4	-253	-296
Realised impairment losses	31	36	2	69	93
Reversed impairment losses	74	104	1	179	638
Acquisition of entities, net	-	-	-	-	13
Foreign exchange adjustments	6	-	9	15	-39
Impairment in disposal group held for sale	28	-	-	28	-
Impairment at 31 December	**-613**	**-438**	**-16**	**-1,067**	**-1,105**

On-trade loans

DKK million	2022	2021
Loans provided	-261	-356
Repayments	192	340
Amortisation of on-trade loans	198	164
Total	**129**	**148**

SECTION 2

ASSET BASE AND RETURNS

105.8bn

TOTAL ASSETS (DKK)

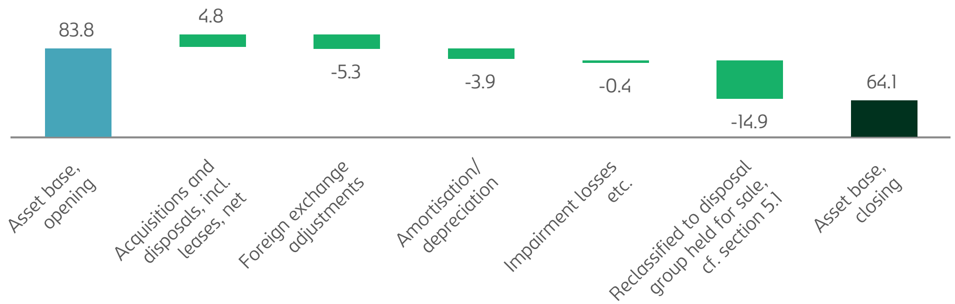
Total assets declined by DKK 8.9bn, mainly due to the decision to seek a full divestment of the Russian business, which resulted in a write-down of the Russian business of DKK -8.4bn.

Intangible assets amounted to DKK 40.5bn at 31 December 2022 (2021: DKK 57.3bn), mainly due to the carve-out of the Russian business.

Property, plant and equipment totalled DKK 23.6bn (2021: DKK 26.6bn), mainly impacted by the reclassification of Russia.

Current assets declined by DKK 0.6bn to DKK 22.6bn, primarily due to a decline in trade receivables of DKK 0.6bn impacted by the reclassification of the Russian business to disposal group held for sale and an increase in inventories of DKK 0.3bn, impacted by higher cost of sales, stocking in Asia prior to the Chinese New Year and the reclassification of the Russian business. Other receivables mainly increased due to fair value adjustment linked to higher aluminium prices. Cash and cash equivalents amounted to DKK 8.2bn (2021: DKK 8.3bn).

ASSET BASE (DKKbn)

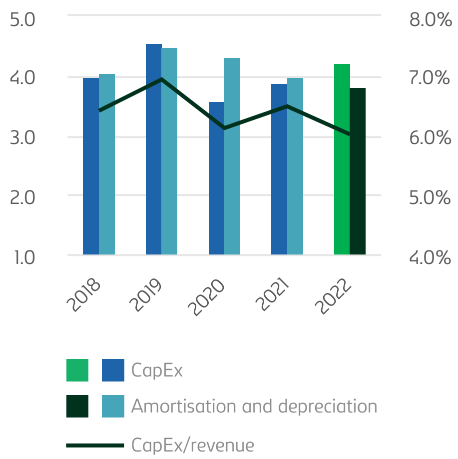


4.2bn

CAPEX (DKK)

CapEx increased by DKK 328m. Asia and Central & Eastern Europe were the main contributors, driven by higher investments in filling capacity. CapEx to amortisation and depreciation, excluding right-of-use assets, increased to 106% (2021: 102%).

CAPEX[1] AND AMORTISATION/ DEPRECIATION[2] (DKKbn)



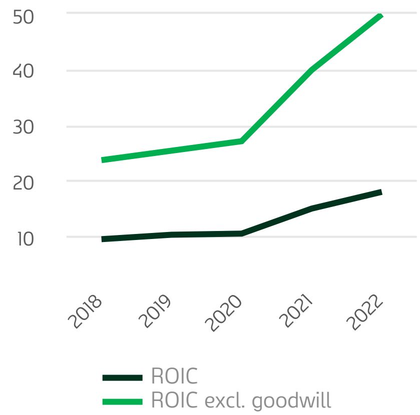
[1] Excluding the purchase of the Brooklyn brand rights in 2020.

18.0%

ROIC

Return on invested capital (ROIC) increased by 300bp to 18.0% as a result of higher operating profit, a lower effective tax rate, which was impacted by a one-off adjustment, and improved working capital. ROIC excluding goodwill improved by 1,000bp to 49.9%.

RETURN ON INVESTED CAPITAL[2] (% 12-MONTH AVERAGE)



[2] 2018-2020 as reported. 2021-2022 for continuing operations.

SECTION 2.1

SEGMENTATION OF ASSETS AND RETURNS

Following the classification of the Russian operations as held for sale in March 2022, the segmentation of assets and returns is presented only for the continuing operations.

Invested capital for 2021 has been restated to include only the continuing operations so as to align it with the restatement of operating profit and support the calculation of a meaningful ROIC for 2021.

At year-end, invested capital was down by DKK 2.4bn, primarily due to developments in currencies and goodwill impairment in Central & Eastern Europe.

Non-current assets comprise intangible assets and property, plant and equipment owned by the segment/country, even if the income is earned outside the segment/country that owns the asset.

They further include non-current financial assets other than financial instruments and tax assets.

Not allocated comprises supporting companies without brewing activities and eliminations of investments in subsidiaries, receivables and loans.

Geographical allocation of non-current assets

DKK million	2022	2021
Denmark (Carlsberg Breweries A/S' domicile)	3,918	4,024
China	15,906	15,876
France	11,100	11,121
Other countries	37,978	57,469
Total	**68,902**	**88,490**

ACCOUNTING ESTIMATES AND JUDGEMENTS

The calculation of return on invested capital (ROIC) uses operating profit before special items adjusted for tax based on the effective tax rate, and invested capital excluding assets in disposal group held for sale, including assets held for sale and trade receivables sold, and excludes contingent considerations and income tax.

ACCOUNTING POLICIES

The Group's assets and returns are segmented on the basis of geographical regions in accordance with the management reporting for the current year, cf. section 1.2.

Invested capital

DKK million	2022	2021
Total assets excluding assets in disposal group held for sale, cf. section 5.1	94,180	94,234
Less		
Tax assets	-1,704	-1,924
Financial receivables, hedging instruments and receivables sold	621	601
Cash and cash equivalents	-8,163	-8,217
Assets included	**84,934**	**84,694**
Trade payables	-21,906	-19,083
Deposits on returnable packaging materials	-1,627	-1,504
Provisions, excl. restructurings	-2,981	-3,158
Other liabilities, excl. hedging instruments and contingent consideration	-7,957	-8,103
Liabilities offset	**-34,471**	**-31,848**
Invested capital	**50,463**	**52,846**
Goodwill	-32,532	-33,271
Invested capital excl. goodwill	**17,931**	**19,575**
Invested capital, average	**51,771**	**52,824**

DKK million

	Western Europe	Asia	Central & Eastern Europe	Not allocated	Carlsberg Breweries Group
2022					
Invested capital	26,338	18,090	6,284	-249	50,463
Invested capital excl. goodwill	10,857	3,652	3,671	-249	17,931
Investments in associates	2,361	2,402	27	6	4,796
Acquisition of property, plant and equipment and intangible assets	1,363	1,860	643	357	4,223
Amortisation and depreciation	1,781	1,350	601	106	3,838
Impairment losses, net	56	308	23	43	430
Return on invested capital (ROIC)	14.2%	21.8%	30.8%	-	18.0%
ROIC excl. goodwill	32.8%	112.4%	49.7%	-	49.9%
2021					
Invested capital	27,822	19,424	6,361	-761	52,846
Invested capital excl. goodwill	12,317	4,281	3,738	-761	19,575
Investments in associates	2,271	2,363	30	5	4,669
Acquisition of property, plant and equipment and intangible assets	1,340	1,800	566	191	3,897
Amortisation and depreciation	1,796	1,488	605	102	3,991
Impairment losses, net	17	460	-	-	477
Return on invested capital (ROIC)	11.7%	21.3%	28.1%	-	15.0%
ROIC excl. goodwill	24.5%	153.4%	47.0%	-	39.9%

SECTION 2.2

IMPAIRMENT

2.2.1 RECOGNISED IMPAIRMENTS

Following Russia's invasion of Ukraine and the decision to dispose of the Russian operations, Russia was separated from the Central & Eastern Europe CGU.

Impairment tests of goodwill and brands with indefinite useful life were prepared at the reporting date. The tests did not identify further impairments.

The Group recognised impairment losses of DKK 233m on returnable packaging in certain markets in Asia, DKK 22m on sales equipment and returnable packaging in Ukraine and DKK 172m on other items of property, plant and equipment, in total DKK 427m in 2022.

Impairment of non-current assets

DKK million	2022	2021
Intangible assets		
Other intangible assets	3	107
Total	**3**	**107**
Property, plant and equipment		
Plant, machinery and equipment	427	151
Reversal of impairment losses	-	-25
Total	**427**	**126**
Other non-current assets		
Investment in associates	-	244
Total impairment losses, net	**430**	**477**
Of which recognised in special items, cf. section 3.1	96	261
Impairment losses Russian operations, net, cf. section 5.1	**8,364**	**947**

In 2021, impairment losses of DKK 107m were recognised in relation to land use rights in China, DKK 130m on returnable packaging in certain markets in Asia, DKK 21m on other items of property, plant and equipment and DKK 244m on investments in associates in China.

Reversals of impairment losses of DKK -25m in China relating to assets that had been reclassified as held for sale were also recognised in 2021.

Impairment of assets in Ukraine

The war in Ukraine resulted in the loss or destruction of sales equipment and returnable packaging materials deployed in the market, leading to a write-down of DKK 22m on property, plant and equipment.

Other impairments

In certain markets in Asia, the return systems are not legally required but have been developed as a result of market practice in the beverage industry. The collection rates for returnable packaging have declined significantly since 2020 compared with previous years as a result of COVID-19 restrictions. Consequently, the Group reclassified the returnable packaging in the relevant markets from being recognised as property, plant and equipment to being recognised as inventory, thus ensuring timely cost recognition. This led to the recognition of impairment losses of DKK 233m compared to DKK 130m recognised in 2021 for lost returnable packaging.

Impairment of the Russian operations held for sale

Following the reclassification of the Russian operations as held for sale and separation out from the Central & Eastern Europe CGU, an impairment loss of DKK 8,364m was recognised in net result from Russian operations held for sale, cf. section 5.1.

In 2021, impairment losses of DKK 950m on brands were recognised in the Russian operation.

Significant amounts of goodwill and brands

Goodwill and brands with indefinite useful life relating to the acquisitions of Kronenbourg and Chongqing Brewery Group each accounted for 10% or more of the total carrying amount of goodwill and brands with indefinite useful life at the reporting date. Goodwill from these acquisitions has been allocated to CGUs based on the geographical segmentation.

The Kronenbourg 1664 brand is individually material and specified in section 2.2.3.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Identification of cash-generating units

The Group's management structure reflects the geographical segments, cf. section 1.2, and decisions are made by the regional managements responsible for performance, operating investments and growth initiatives in their respective regions.

There is significant vertical integration of the production, logistics and sales functions, supporting and promoting optimisations across the Group or within regions.

Assets, other than goodwill and brands with regional and global presence, are allocated to individual cash-generating units (CGUs), being the level at which the assets generate largely independent cash inflows. As the Group operates with local sales and production organisations, the cash inflows are generated mostly locally, and the CGUs are therefore usually identified at country level.

The determination of CGU allocation is made, and cash inflows are assessed in connection with the purchase price allocation within 12 months from the date of acquisition.

Goodwill

Goodwill does not generate largely independent cash inflows on its own and is therefore allocated to the Group's geographical segments, which is the level at which it is monitored for internal management purposes.

At the time of acquisition of entities, goodwill is allocated to a CGU. The structure and groups of CGUs are reassessed every year. The Group gained control of Wernesgrüner Brewery in 2021. The goodwill recognised on this acquisition was allocated to the Western Europe CGU.

Entities classified as held for sale and measured at fair value less costs of disposal are removed from the CGU to which they are allocated at the time of classification as held for sale.

SECTION 2.2 (CONTINUED)

IMPAIRMENT

Brands

Cash flows for brands are separately identifiable and brands are therefore tested individually for impairment. This test is performed in addition to the test for impairment of goodwill.

The following brands are considered significant when comparing their carrying amount with the total carrying amount of brands with indefinite useful life:

• Kronenbourg 1664

Following the classification of the Russian business as held for sale, the brands recognised in Russia are no longer tested individually for impairment. Instead any impairment of the value of the Russian disposal group held for sale is allocated first to goodwill of the disposal group and subsequently pro rata to other assets of the disposal group, including brands.

Corporate assets

The Group has identified capitalised software relating to the Group's ERP systems as corporate assets, and as such these are peripheral to the generation of cash inflow. The Group's ERP landscape is closely linked to the internal management structure, and the identified assets are therefore tested for impairment at the CGU level to which goodwill is allocated.

Other non-current assets

Other non-current assets are tested for impairment when indications of impairment exist.

For property, plant and equipment, management performs an annual assessment of the assets' future application, for example in relation to changes in production structure, restructurings or brewery closures.

For investments in associates, examples of indications of impairment are loss-making activities or significant changes in the business environment.

Key considerations in impairment tests	Goodwill	Brands
CGU level of test	Geographical segment	Individual brand
Method to estimate recoverable amount	Value in use	Value in use
Method to estimate present value of future cash flows	Expected value approach: multiple probability-weighted cash flows	Traditional approach: single most likely future cash flows
Discount rate	Risk-free rate	Risk-adjusted rate

ACCOUNTING POLICIES

Goodwill and brands with indefinite useful life are subject to an annual impairment test, performed initially before the end of the year of acquisition. The test is performed at the level where cash flows are considered to be generated: either at CGU level or at the level of a group of CGUs. All assets are tested if an event or circumstance indicates that the carrying amount may not be recoverable. If an asset's carrying amount exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use.

For all assets, the value in use is assessed based on budget and target plan with reference to the expected future net cash flows. The assessment is based on the lowest CGU affected by the changes that indicate impairment. The cash flow is discounted by a rate adjusted for any risk specific to the asset, if relevant to the calculation method applied.

Impairment losses on goodwill and brands, significant losses on property, plant and equipment, investments in associates, and losses arising on significant restructurings of processes and structural adjustments are recognised as special items. Minor losses are recognised in the income statement in the relevant line item.

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

2.2.2 IMPAIRMENT TEST OF GOODWILL

NEW SEGMENTATION FOR 2022

The Group's segmentation and regional split of entities changed following the Group's decision to seek full disposal of the Russian business and exclude it from the Central & Eastern Europe region. The composition of CGUs changed accordingly, with goodwill of DKK 7,966m previously allocated to Russia being transferred to assets in disposal group held for sale, cf. section 5.1.

The carrying amount of goodwill allocated to groups of CGUs

DKK million	2022	2021
Western Europe	15,481	15,505
Asia	14,438	15,143
Central & Eastern Europe	2,613	13,630
Total	**32,532**	**44,278**

Estimating expected cash flow involves developing multiple probability-weighted scenarios to reflect different outcomes in terms of timing and amount. Measurement of the forecast period growth rates reflects risk adjustments made to calculate the expected cash flows.

Key assumptions

	Forecast cash flow growth	Terminal period growth	Pre-tax discount rate
2022			
Western Europe	-11.4%	0.5%	3.0%
Asia	-12.7%	1.0%	4.5%
Central & Eastern Europe	-21.4%	2.0%	9.8%
2021			
Western Europe	1.0%	0.0%	1.7%
Asia	-10.0%	1.0%	4.5%
Central & Eastern Europe	-24.0%	3.5%	6.3%

The average cash flow growth in the forecast period reflects the significant risk adjustments included in the forecast specifically for the impairment test.

Potential upsides are not identified and adjusted in the cash flows used for impairment testing. Growth is projected in nominal terms and therefore does not translate into cash flow at the same growth rate in the Group's presentation currency, DKK.

WESTERN EUROPE

The region primarily comprises mature beer markets, and market volumes tend to be flat. In recent years the region has seen improving beer category dynamics through innovations, increased interest in craft & speciality beers and alcohol-free brews, and an overall improved category perception.

SECTION 2.2 (CONTINUED)

IMPAIRMENT

The region is generally characterised by well-established retail structures and a strong tradition of beer consumption. Consumption is generally resilient, although the on-trade channel tends to be impacted by a weak macroeconomic environment. In the past two years, the on-trade suffered as a result of restrictions and lockdowns across markets due to COVID-19. The COVID-19 situation remained uncertain in 2022, but is not expected to have a significant long-term effect.

In 2023, the focus will be on mitigating the significant cost inflation, in particular for raw materials and packaging, but also other costs, such as logistics and wages. Mitigating actions include value management, channel and product mix, price increases and continuous cost focus as part of the Group's Funding the Journey culture.

ASIA

Asia's importance to the Group has increased significantly over the past decade, during which the Group has strengthened its presence in the region, both organically and through acquisitions.

The Asian markets are very diverse but offer prospects for volume and value growth, underpinned by young populations, urbanisation, rising disposable income levels, growing economies and, in some markets, relatively low per capita beer consumption. However, as many Asian markets are emerging markets, development is subject to volatility. Both the on-trade and off-trade channels are generally characterised by a strong traditional outlet segment, but with the modern outlet segment growing in most markets.

In 2020 and 2021, all markets in the region were impacted by COVID-19 at different times and to different extents. The impact from COVID-19 in China was most profound in the first quarter of 2020 and again in the second half of 2022, during which periods volumes were severely impacted. When the market was not subject to COVID-19-related lockdowns, our business performed strongly. The COVID-19 recovery in China, including consumer off-take during the Chinese New Year celebrations, is still uncertain.

The general focus in the region remains profitable revenue growth, driven by premiumisation and volume growth. Activities include continued investment in and expansion of our international premium brands, in particular Tuborg, 1664 Blanc, Carlsberg and Somersby, and the strengthening and premiumisation of our local power brands.

CENTRAL & EASTERN EUROPE

Central & Eastern Europe consists of Ukraine, a number of smaller markets across southern and eastern Europe and our export & licence business.

In 2022, the region was severely impacted by the war in Ukraine, which meant that the Russian business, formerly a part of the region, is now an asset held for sale. In Ukraine, the breweries were shut down for some time and volumes declined due to the war. The situation in Ukraine remains highly uncertain.

In the rest of the region, the competitive environment is generally characterised by the presence of large global players. Due to the larger on-trade exposure, the southern part of the region was more exposed to COVID-19 in 2020 and 2021 than the eastern part where on-trade exposure is limited. In 2022, the southern part of the region benefited from the re-opening of the on-trade and the return of tourists.

Management expects the current macroeconomic situation and developments to continue in the short term, with further increases in overall inflation compared with 2022. The Group will seek to mitigate rising costs through price increases, value management, channel and product mix and continuous cost focus. In the medium to long term, interest rates are expected to decline and stabilise at a level lower than currently observed in the market, although still with some volatility.

! ACCOUNTING ESTIMATES AND JUDGEMENTS

Goodwill

The value in use is the discounted value of the expected future risk-adjusted cash flows. This involves developing multiple probability-weighted scenarios to reflect different outcomes in terms of timing and amount.

Key assumptions

The cash flow is based on the budget and target plans for the next three years. Cash flows beyond the three-year period are extrapolated using the terminal period growth rate. The budget and plans for 2023-2025 represents management's best estimate of the impact from the COVID-19 pandemic.

The probability weighting applied is based on past experience and the uncertainty of the prepared budget and target plans. Potential upsides and downsides identified during the budget process and in the daily business are reflected in the future cash flow scenarios for each CGU.

The risk-adjusted cash flows are discounted using a rate that reflects the risk-free interest rate for each CGU. The interest rates used in the impairment tests are based on observable market data. Please refer to the description of discount rates in section 2.2.3.

The key assumptions on which management bases its cash flow projections are:

- Volumes
- Sales prices
- Input costs
- Operating investments
- Terminal period growth

The assumptions are determined at CGU level and are based on past experience, external sources of information and industry-relevant observations for each CGU. Local conditions, such as expected developments in macroeconomic and market conditions specific to the individual CGUs, are considered. The assumptions are challenged and verified by management at CGU and Group level.

The budget and target plan processes consider events or circumstances that are relevant to reliably projecting the short-term performance of each CGU. Examples include significant campaign activities, changes in excise duties etc., which may have a short-term impact but are non-recurring. Given their short-term nature, they are not taken into consideration when estimating the terminal period growth rate.

Volumes

Projections are based on past experience, external market data, planned commercial initiatives, such as marketing campaigns and sponsorships, and the expected impact on consumer demand and the level of premiumisation. If relevant, the projections are adjusted for the expected changes in the level of premiumisation. No changes in market share are assumed in the medium or long term.

Demographic expectations general to the industry, such as the development in population, consumption levels, generation-shift patterns, rate of urbanisation and macroeconomic trends, are also considered in medium- and long-term projections.

SECTION 2.2 (CONTINUED)

IMPAIRMENT

Events and circumstances can impact the timing of volumes entering the market. These include excessive stocking related to an increase in excise duties, campaign activities, and the timing of national holidays and festivals. Such short-term effects are not material to volume projections and do not impact the long-term projections.

Sales prices

The level of market premiumisation and the locally available portfolio are key drivers in identifying price points. When planning pricing structures, factors including price elasticity, local competition and inflation expectations can also impact the projection. Increases in excise duties are typically passed on to the customers immediately or with a delay of no more than a few months. Since the increase is a pass-through cost and thereby compensated for by price increases at the time of implementation, it does not impact the long-term sales price growth and is therefore not taken into consideration in the projections unless circumstances specifically indicate otherwise. No changes to duties in the short or medium term are taken into consideration unless there is a firm plan to introduce changes.

Recent significant inflationary pressure has meant revenue growth compensating for rising input costs, especially in Europe. The short and medium-term forecast includes risk of delays in timing of increase of sales prices to compensate for future rise in input costs.

Input costs

Input costs in the budget and target plans are based on past experience and on:

- Contracted raw and packaging materials
- Contracted services within sales, marketing, production and logistics
- Planned commercial investments
- Cost optimisations not related to restructurings
- Expected inflation

The recent rise in inflation has increased the overall input cost level, especially in Europe. The short and medium-term forecast incorporates continued pressure on input cost.

In the long term, projections follow the level of inflation unless long-term contracts are in place.

Operating investments

Projections are based on past experience of the level of necessary maintenance of existing production capacity, including replacement of parts. This also includes scheduled production line overhauls and improvements to existing equipment. Non-contracted capacity increases and new equipment are not included.

Terminal period growth

Growth rates are projected to be equal to or below the expected rate of general inflation and assume no nominal economic growth. The projected growth rates and the discount rates applied are compared to ensure a sensible correlation between the two.

2.2.3 IMPAIRMENT TEST OF BRANDS

The impairment test did not identify impairments in 2022.

Following the classification of the Russian business as held for sale, the brands recognised in Russia, including the Baltika brand, are no longer tested individually for impairment. Brands with a carrying amount of DKK 4,532m were transferred to assets in disposal group held for sale end of March 2022.

In 2022, significant brands represented 30% (2021: 54% including the Baltika brand) of the total carrying amount of brands with indefinite useful life.

Brands with indefinite useful life

DKK million	2022	2021
Baltika brand	N/A	4,410
Kronenbourg 1664	1,948	1,946
Significant brands	**1,948**	**6,356**
Western Europe	1,318	1,352
Asia	1,457	1,536
Central & Eastern Europe	846	1,522
Not allocated	941	941
Other brands	**4,562**	**5,351**
Total brands	**6,510**	**11,707**

Other brands comprise a total of 20 brands (2021: 21 brands, including other Russian brand) that are not individually material compared with the total carrying amount.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Brands

The test for impairment of brands is performed using the relief from royalty method and is based on the expected future cash flows generated from the royalty payments avoided for the individual brand for the next 10 years and projections for subsequent years.

The risk-free cash flows are discounted using a rate reflecting the risk-free interest rate with the addition of the risk premium associated with the individual brand.

Key assumptions

2022	Average revenue growth	Terminal period growth	Pre-tax discount rate	Post-tax discount rate
Kronenbourg 1664	2.4%	1.6%	6.6%	6.4%
2021				
Baltika brand	4.8%	4.0%	12.5%	10.9%
Kronenbourg 1664	1.3%	1.3%	4.4%	4.3%

Key assumptions

The key assumptions on which management bases its cash flow projection include the expected useful life, revenue growth, a theoretical tax amortisation benefit, the royalty rate and the discount rate.

Expected useful life

Management has assessed that the value of brands with indefinite useful life can be maintained for an indefinite period, as these are well-established brands in their markets, having existed for decades or even centuries. The beer industry is characterised as being very stable with consistent consumer demand and a predictable competitive environment, and is expected to be profitable for the foreseeable future. Control of the brands is legally established and enforceable indefinitely.

In management's opinion, the risk of the useful life of these brands becoming finite is minimal because of their individual market positions and because current and planned marketing initiatives are expected to sustain their useful life.

Revenue growth

At the time of acquisition of any individual brand, a revenue growth curve is forecast based on a long-term strategic view of the risk and opportunities relevant to the brand. The curve is projected for a 10-year horizon. This horizon reliably reflects the lengthy process of implementing brand strategies to support a brand occupying its intended place in the Group's portfolio. The forecast period applied is comparable with the common term of the majority of licence agreements to which the Group is party.

SECTION 2.2 (CONTINUED)

IMPAIRMENT

In the local markets, the product portfolio usually consists of local power brands and international premium brands. When projecting revenue growth for local brands, in addition to their commercial strength – such as market share and segment position – the forecast takes into consideration the demographics of the primary markets, including expected developments in population, consumption levels, generation-shift patterns, rate of urbanisation, beer market maturity, level of premiumisation, circumstances generally limiting the growth opportunities for alcoholic beverages etc.

For brands with global or regional presence, enhanced investments in product development and marketing are expected. The expected growth rate for these brands is generally higher than for more localised brands and is usually highest early in the 10-year period.

Depending on the nominal growth expectations for the individual brand, the revenue growth in individual years may be above, equal to or below the forecast inflation level in the markets where the brand is present.

When preparing budgets, consideration is given to events or circumstances that are relevant to reliably projecting the short-term performance of each brand. Examples include significant campaign activities, changes in excise duties etc., which may have a short-term impact but are non-recurring and quickly absorbed by the business. Since the impact is not material to the long-term projections, it is not taken into consideration when estimating the long-term and terminal period growth rates. Please refer to the description of the impact of increases in excise duties in the description of sales prices in section 2.2.2.

Tax benefit

The theoretical tax benefit applied in the test uses tax rates and amortisation periods based on current legislation. The impairment test applies tax rates in the range of 15-31% and amortisation periods of 5-15 years.

Royalty rate

Royalties generated by a brand are based on the Group's total income from the brand and are earned globally, i.e., the income is also earned outside the CGU that owns the brand. If external licence agreements for the brand already exist, the market terms of such agreements are taken into consideration when assessing the royalty rate that the brand is expected to generate in a transaction with independent parties. The royalty rate is based on the actual market position of the individual brand in the global, regional and local markets, and assumes a 10-year horizon. This term is common to the beverage industry when licensing brands.

For some brands, the share of the total beer market profit exceeds the volume share to an extent that creates significant market entry barriers for competing brands and justifies a higher royalty rate.

Royalty rates

International, premium and speciality beers	3.5-7.5%
Strong regional and national brands	3.0-5.0%
Local and mainstream brands	2.0-3.5%

Discount rates

The discount rate is a weighted average cost of capital (WACC) that reflects the risk-free interest rate with the addition of a risk premium relevant to each brand.

The risk-free interest rates used in the impairment tests are based on observed market data. For countries where long-term risk-free interest rates are not observable or valid due to specific national or macroeconomic conditions, the interest rate is estimated based on observations from other markets and/or long-term expectations expressed by international financial institutions considered reliable by the Group.

The added credit risk premium (spread) for the risk-free interest rate is fixed at market price or slightly higher, reflecting the expected long-term market price. The aggregate interest rate, including spread, thereby reflects the long-term interest rate applicable to the Group's investments in the individual markets.

2.2.4 SENSITIVITY TESTS

Sensitivity tests have been performed to determine the lowest forecast and terminal period growth rates and/or highest discount rates that can occur in the groups of CGUs and brands with indefinite useful life without leading to any impairment loss.

Due to a challenging macroeconomic situation in some CGUs and groups of CGUs, the Group performed additional sensitivity tests in 2022 to ensure that no potential impairment had been overlooked. These did not identify any potential impairment.

GOODWILL

The test for impairment of goodwill did not identify any CGUs or groups of CGUs to which goodwill is allocated where a reasonably possible negative change in a key assumption would cause the carrying amount to exceed the recoverable amount.

BRANDS

For brands that were previously written down, a reasonably possible negative change in a key assumption would cause the carrying amount of these brands to exceed the recoverable amount. However, management considers the risk of a significant write-down on brands to be low.

Key assumptions

The key assumptions relevant to the assessment of the recoverable amount are:

- Volume
- Price
- Discount rate

The assumptions for volume and pricing are closely linked, which, together with the presence of multiple sub-brands in various geographies within each brand, makes individual sensitivity testing on the basis of these two assumptions highly impractical. Instead, sensitivity testing is performed for the overall revenue growth rate, in both the forecast period and the terminal period.

SECTION 2.3

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

DKK million	Intangible assets				Property, plant and equipment				Asset base
2022	Goodwill	Brands	Other intangible assets	Total	Land and buildings	Plant and machinery	Other equipment, fixtures and fittings	Total	Total
Cost									
Cost at 1 January	46,021	23,181	5,040	74,242	19,694	30,179	15,728	65,601	139,843
Additions, including right-of-use assets	-	-	570	570	611	1,995	1,992	4,598	5,168
Disposals	-	-32	-165	-197	-370	-573	-1,501	-2,444	-2,641
Transfers	-	-	-	-	200	-358	158	-	-
Transferred to disposal group held-for-sale	-7,966	-12,466	-433	-20,865	-2,089	-3,929	-1,322	-7,340	-28,205
Foreign exchange adjustments etc.	-3,831	-1,706	-88	-5,625	-386	-1,182	-596	-2,164	-7,789
Cost at 31 December	**34,224**	**8,977**	**4,924**	**48,125**	**17,660**	**26,132**	**14,459**	**58,251**	**106,376**
Amortisation, depreciation and impairment losses									
Amortisation, depreciation and impairment losses at 1 January	1,743	11,231	4,001	16,975	8,424	19,596	11,029	39,049	56,024
Disposals	-	-32	-163	-195	-139	-521	-1,441	-2,101	-2,296
Amortisation and depreciation	-	21	207	228	633	1,347	1,719	3,699	3,927
Impairment losses	-	-	3	3	2	106	319	427	430
Transferred to disposal group held-for-sale	-	-7,934	-336	-8,270	-898	-3,204	-957	-5,059	-13,329
Foreign exchange adjustments etc.	-51	-1,032	-59	-1,142	-155	-785	-404	-1,344	-2,486
Amortisation, depreciation and impairment losses at 31 December	**1,692**	**2,254**	**3,653**	**7,599**	**7,867**	**16,539**	**10,265**	**34,671**	**42,270**
Carrying amount at 31 December	**32,532**	**6,723**	**1,271**	**40,526**	**9,793**	**9,593**	**4,194**	**23,580**	**64,106**
Right-of-use assets included at 31 December									
Amortisation and depreciation	-	-	-	-	167	5	214	386	386
Carrying amount at 31 December	-	-	-	-	1,089	11	440	1,540	1,540

SECTION 2.3 (CONTINUED)

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

DKK million			Intangible assets				Property, plant and equipment		Asset base
2021	Goodwill	Brands	Other intangible assets	Total	Land and buildings	Plant and machinery	Other equipment, fixtures and fittings	Total	Total
Cost									
Cost at 1 January	43,858	21,056	4,953	69,867	18,858	28,389	15,613	62,860	132,727
Acquisition of entities	214	654	9	877	42	-51	-182	-191	686
Additions, including right-of-use assets	-	-	341	341	326	1,964	2,021	4,311	4,652
Disposal and deconsolidation of entities	-301	-	-20	-321	-102	-209	-379	-690	-1,011
Disposals	-	-2	-386	-388	-288	-673	-1,975	-2,936	-3,324
Transfers	-	-	-	-	307	-481	96	-78	-78
Foreign exchange adjustments etc.	2,250	1,473	143	3,866	551	1,240	534	2,325	6,191
Cost at 31 December	**46,021**	**23,181**	**5,040**	**74,242**	**19,694**	**30,179**	**15,728**	**65,601**	**139,843**
Amortisation, depreciation and impairment losses									
Amortisation, depreciation and impairment losses at 1 January	1,572	9,427	4,016	15,015	7,907	18,103	10,702	36,712	51,727
Disposal and deconsolidation of entities	-	-	-7	-7	-40	-146	-329	-515	-522
Disposals	-	-2	-368	-370	-204	-642	-1,847	-2,693	-3,063
Amortisation and depreciation	-	19	204	223	664	1,444	2,048	4,156	4,379
Impairment losses	-	950	107	1,057	5	22	124	151	1,208
Reversal of impairment losses	-	-	-	-	-	-4	-24	-28	-28
Transfers	-	-	-	-	-31	-29	-	-60	-60
Foreign exchange adjustments etc.	171	837	49	1,057	123	848	355	1,326	2,383
Amortisation, depreciation and impairment losses at 31 December	**1,743**	**11,231**	**4,001**	**16,975**	**8,424**	**19,596**	**11,029**	**39,049**	**56,024**
Carrying amount at 31 December	**44,278**	**11,950**	**1,039**	**57,267**	**11,270**	**10,583**	**4,699**	**26,552**	**83,819**
Right-of-use assets included at 31 December									
Amortisation and depreciation	-	-	-	-	174	6	205	385	385
Carrying amount at 31 December	-	-	-	-	887	11	420	1,318	1,318

SECTION 2.3 (CONTINUED)

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment under construction amounted to DKK 1,186m (2021: DKK 1,187m). Property, plant and equipment under construction are recognised in plant and machinery until completion.

Other equipment, fixtures and fittings include transport, office and draught beer equipment, coolers and returnable packaging materials.

Other intangible assets include software, land use rights and beer delivery rights.

RIGHT-OF-USE ASSETS

The Group leases various properties and warehouses, production equipment, cars and trucks. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions.

At 31 December 2022, the carrying amount of right-of-use assets was DKK 1,540m (2021: DKK 1,318m). During the year, additions amounted to DKK 706m (2021: DKK 437m) and depreciation to DKK 386m (2021: DKK 385m).

Lease expenses recognised in the income statement, relating to short-term leases and leases of low-value assets, amounted to DKK 49m (2021: DKK 33m). Such contracts comprise the lease of copy and printing machines, coffee machines, small IT devices and similar equipment.

For disclosures of the interest expenses, cash flow and lease liabilities, please refer to sections 4.1, 4.4.1 and 4.7.

Cash flow from disposal of property, plant and equipment and intangible assets was DKK 283m (2021: DKK 254m).

CAPITAL COMMITMENTS

The Group has entered into various capital commitments that will not take effect until after the reporting date and have therefore not been recognised in the consolidated financial statements. Capital commitments in 2022 amounted to DKK 100m (2021: DKK 132m).

Amortisation, depreciation and impairment losses

DKK million	Intangible assets 2022	Intangible assets 2021	Property, plant and equipment 2022	Property, plant and equipment 2021
Cost of sales	47	138	2,489	2,611
Sales and distribution expenses	65	39	1,211	1,124
Administrative expenses	107	96	253	213
Special items	-	3	96	14
Continuing operations	**219**	**276**	**4,049**	**3,962**
Net result from Russian operations held for sale	12	1,004	77	317
Total	**231**	**1,280**	**4,126**	**4,279**

ACCOUNTING ESTIMATES AND JUDGEMENTS

Useful life and residual value of intangible assets with finite useful life and property, plant and equipment

Useful life and residual value are initially assessed both in acquisitions and in business combinations.

Management assesses brands and property, plant and equipment for changes in useful life. If an indication of a reduction in the value or useful life exists, such as changes in production structure, restructuring and brewery closures, the asset is tested for impairment. If necessary, the asset is written down or the amortisation/depreciation period is reassessed and, if necessary, adjusted in line with the asset's changed useful life. When changing the amortisation or depreciation period due to a change in the useful life, the effect on amortisation/depreciation is recognised prospectively as a change in accounting estimates.

Lease and service contracts

At inception of a contract, management assesses whether the contract is or contains a lease. Management considers the substance of any service being rendered to classify the arrangement as either a lease or a service contract. Particular importance is attached to whether fulfilment of the contract depends on the use of specific assets. The assessment involves judgement of whether the Group obtains substantially all the economic benefits from the use of the specified asset and whether it has the right to direct how and for what purpose the asset is used. If these criteria are satisfied at the commencement date, a right-of-use asset and a lease liability are recognised in the statement of financial position.

Capital expenditure

DKK million	2022	2021
Additions, including right-of-use assets	5,168	4,652
Right-of-use assets	-706	-435
Additions	**4,462**	**4,217**
Additions payable at the end of the reporting period	-145	-
Transferred to disposal group held-for-sale	-92	-320
Acquisition of property, plant and equipment and intangible assets	**4,225**	**3,897**

Gain/loss on disposal of assets

DKK million	2022	2021
Gain on disposal of property, plant and equipment and intangible assets	110	102
Loss on disposal of property, plant and equipment and intangible assets	-31	-26
Continuing operations	**79**	**76**
Net result from Russian operations held for sale	4	17
Total	**83**	**93**

SECTION 2.3 (CONTINUED)

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

In determining the lease term, management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension or termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The term is reassessed if a significant change in circumstances occurs. The assessment of purchase options follows the same principles as those applied for extension options.

The lease payment for cars and trucks often includes costs of service and insurance. If these costs are not objectively assessable, the Group estimates the costs when separating the service component from the lease.

ACCOUNTING POLICIES

Cost

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

Cost comprises the purchase price and costs directly attributable to the acquisition until the date when the asset is available for use. The cost of acquired brand rights is accounted for using the accumulated cost approach if the total consideration includes an earn-out dependent on the brands' future performance.

The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, wages and salaries, and capitalised borrowing costs on specific or general borrowings attributable to the construction of the asset, and is included in plant and machinery.

Research and development costs are recognised in the income statement as incurred. Development costs of intangible assets, for example software, are recognised as other intangible assets if the costs are expected to generate future economic benefits.

For assets acquired in business combinations, including brands and property, plant and equipment, cost at initial recognition is determined by estimating the fair value of the individual assets in the purchase price allocation.

Goodwill is only acquired in business combinations and is measured in the purchase price allocation.

Goodwill is not amortised but is subject to an annual impairment test, cf. section 2.2.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

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

Useful life, amortisation, depreciation and impairment losses

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

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

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

Amortisation and depreciation are recognised as cost of sales, sales and distribution expenses, and administrative expenses depending on the use of the asset.

The expected useful life is as follows:

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

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 materials	3-10 years
Hardware	3-5 years
Land	Not depreciated

Impairment

Impairment losses of a non-recurring nature are recognised under special items.

Leases

At the commencement date, the Group recognises a lease liability and a corresponding right-of-use asset at the same amount, except for short-term leases of 12 months or less and leases of low-value assets.

A right-of-use asset is initially measured at cost, which consists of the initial lease liability and initial direct costs less any lease incentives received. The Group has applied the practical expedient option allowed under IFRS by using a portfolio approach for the recognition of lease contracts related to assets of the same nature and with similar lease terms, i.e. cars and trucks.

Subsequently, the right-of-use asset is measured at cost less depreciation and impairment losses and adjusted for remeasurement of the lease liability. The right-of-use asset is depreciated over the earlier of the lease term and the useful life of the asset. The impairment testing of right-of-use assets follows the same principles as those applied for property, plant and equipment, cf. section 2.2.

Right-of-use assets are recognised as property, plant and equipment.

The Group has elected not to recognise right-of-use assets and liabilities for leases with a term of 12 months or less and leases of low-value assets. Lease payments related to such leases are recognised in the income statement as an expense on a straight-line basis over the lease term.

Government grants and other funding

Grants and funding received for the acquisition of assets and development projects are recognised in the statement of financial position by deducting the grant from the carrying amount of the asset. The grant is recognised in the income statement over the life of the asset as a reduced depreciation charge.

SECTION 3

SPECIAL ITEMS, PROVISIONS AND OTHER LIABILITIES

254m

SPECIAL ITEMS, INCOME (DKK)

Impacted by reversal of provisions made in purchase price allocation in previous years..

-348m

SPECIAL ITEMS, EXPENSES (DKK)

Impacted by write-down of property, plant and equipment as well as losses related to the war in Ukraine.

SECTION 3.1

SPECIAL ITEMS

SPECIAL ITEMS, INCOME

In 2022, the Group recognised reversal of provisions made in purchase price allocations in prior years, mainly in Asia, of DKK 217m (2021: 1,238m) and reversal of provisions in Western Europe of DKK 37m (2021: DKK 52m). In 2021, the Group also recognised a gain on disposal of entities of DKK 15m and a revaluation gain on the retained investment in Gorkha Brewery (DKK 38m).

SPECIAL ITEMS, EXPENSES

A significant number of customers and sales outlets in Ukraine have been negatively impacted by the war. Consequently, impairments of doubtful trade receivables, obsolete inventories and lost plant and equipment were recognised at DKK 79m.

During 2021 and 2022, the Group continued to carry out various restructuring projects as part of the ongoing focus on cost and efficiency initiatives, which also included impairment of property, plant and equipment in Asia of DKK 74m in 2022.

Special items

DKK million	2022	2021
Special items, income		
Reversal of provisions made in purchase price allocations in prior years	217	1,238
Reversal of provisions made in prior years	37	52
Reversal of impairment losses	-	3
Gain on disposal of entities and assets	-	15
Revaluation gain on deconsolidation of Gorkha Brewery	-	38
Income	**254**	**1,346**
Special items, expenses		
Impairment of trade receivables, inventories and commercial assets in Ukraine[1]	-79	-
Impairment of property, plant and equipment	-74	-
Impairment of investment of associates	-	-244
Restructuring projects and provisions	-76	-270
Costs related to acquisition of entities, etc.	-92	-48
Donations	-27	-
Adjustment of contingent consideration	-	-129
COVID-19, personal protective equipment and donations	-	-32
Expenses	**-348**	**-723**
Special items, net	**-94**	**623**

[1] See section 2.2.

The COVID-19 pandemic had less impact in most markets in 2022 compared with previous years, as there were fewer COVID-19-related restrictions.

The Group donated DKK 27m in 2022, DKK 25m of which to the Ukrainian relief effort.

In 2021 the Group recognised an impairment loss of DKK 244m related to the Tibet Lhasa Brewery caused by disturbances in the operation and management of the company. Fair value adjustments of the contingent consideration for the acquisition of Marston's brewing activities, which was completed in 2020, amounted to DKK -129m.

SECTION 3.1 (CONTINUED)

SPECIAL ITEMS

ACCOUNTING ESTIMATES AND JUDGEMENTS

The use of special items entails management judgement in the separation from ordinary items. Management carefully considers individual items and projects (including restructurings) in order to ensure the correct distinction and split between operating activities and significant income and expenses of a special nature.

Management initially assesses the entire restructuring project and recognises all present costs of the project. The projects are assessed on an ongoing basis, with additional costs possibly being incurred during the lifetime of the project.

The estimate includes expenses related to termination of employees, onerous contracts, break fees and other obligations arising in connection with restructurings. Management reassesses the useful life and residual value of non-current assets used in an entity undergoing restructuring.

ACCOUNTING POLICIES

Special items include significant income and expenses of a special nature in relation to the Group's revenue-generating activities that cannot be attributed directly to the Group's ordinary operating activities.

Special items also include significant non-recurring items, including termination benefits related to retirement of members of the Executive Committee, impairment of goodwill and brands, significant provisions in relation to certain disputes and lawsuits, gains and losses on the disposal of activities and associates, revaluation of the shareholding in an entity held immediately before a step acquisition or cessation of consolidation of that entity, and transaction costs in a business combination.

Significant restructuring of processes and structural adjustments are included in special items.

Special items are shown separately from the Group's ordinary operations to facilitate a better understanding of the Group's financial performance.

Impact of special items on operating profit

DKK million	2022	2021
If special items had been recognised in operating profit before special items, they would have been included in the following line items:		
Cost of sales	-98	-68
Sales and distribution expenses	-5	-42
Administrative expenses	-	-226
Other operating income	23	1,317
Other operating expenses	-14	-358
Special items, net	**-94**	**623**

SECTION 3.2

PROVISIONS

Restructuring provisions relate to termination benefits to employees made redundant, primarily as a result of a restructuring project accounted for as special items.

The restructuring provision of DKK 84m in 2022 primarily relates to various restructuring projects mainly concerning centralised Group functions.

Provisions for onerous contracts primarily related to contract brewing in Asia and are expected to be utilised by 2028.

Other provisions of DKK 2,495m relate to ongoing disputes and lawsuits of varying content and scope, employee benefits, provisions made in connection with purchase price allocations (PPA provisions) and employee obligations other than retirement benefits, among other things.

Timing of settlement of ongoing disputes, lawsuits and PPA provisions cannot be determined, whereas the remaining liabilities are expected to be settled in one to two years.

Total provisions have been impacted by reversal of provisions made in purchase price allocations in previous years in Asia, as described in section 3.1, and reversal of other contractual obligations that did not materialise, in total DKK 335m.

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Provision for onerous contracts is based on agreed terms with the other party and expected fulfilment of the contract, based on the current estimate of volumes, use of raw materials etc.

DKK million

2022	Restructurings	Onerous contracts	Other	Total
Provisions at 1 January 2022	178	456	2,702	3,336
Transfer to disposal group held for sale	-18	-	-	-18
Additional provisions recognised	39	36	209	284
Used during the year	-79	-	-120	-199
Reversal of unused provisions	-31	-	-304	-335
Discounting	-	4	16	20
Foreign exchange adjustments etc.	-5	-10	-8	-23
Provisions at 31 December 2022	**84**	**486**	**2,495**	**3,065**
Classified as				
Non-current provisions	2	475	1,806	2,283
Current provisions	82	11	689	782
Total	**84**	**486**	**2,495**	**3,065**

SECTION 3.2 (CONTINUED)

PROVISIONS

Management assesses provisions, contingent assets and 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 relies on external legal advice and established precedents.

ACCOUNTING POLICIES

Provisions, including profit-sharing provisions, are recognised when, as a result of events arising before or at the reporting date, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of economic benefits to settle the obligation.

Provisions are discounted if the effect is material to the measurement of the liability. The risk-free interest rate is used as the discount rate.

Restructuring costs are recognised when a detailed, formal restructuring plan has been announced to those affected no later than at the reporting date. 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.

SECTION 3.3

OTHER LIABILITIES

DKK million	2022	2021
Classified as		
Non-current liabilities	305	449
Current liabilities	13,794	13,186
Total	**14,099**	**13,635**
Other liabilities by origin		
Staff costs payable	2,318	3,096
Excise duties and VAT payable	2,489	2,935
Other payables	3,251	2,819
Deferred income	464	531
Contingent consideration	5,577	4,254
Total	**14,099**	**13,635**

For a detailed description of contingent considerations, see section 5.4.

ACCOUNTING POLICIES

Other liabilities include excise duties (specific taxes imposed on sales of beer and soft drinks), VAT, withholding tax, accrued interest, payroll, e.g. salaries, overtime, vacation and bonus.

Other liabilities (current) are initially recognised at fair value and subsequently at amortised cost.

SECTION 3.4

CONTINGENT LIABILITIES

The Group operates in very competitive markets where consolidation is taking place within the industry and among its customers and suppliers, all of which in different ways influences its business.

In the ordinary course of business, the Group is party to certain lawsuits, disputes etc. of varying content and scope, some of which are referred to below. The resolution of these lawsuits, disputes etc. is associated with uncertainty, as they depend on relevant applicable proceedings, such as negotiations between the parties affected, government actions and court rulings.

In 2020, the German Supreme Court overruled the Higher Regional Court of Düsseldorf, which in 2019 had ruled in favour of Carlsberg Deutschland in relation to the competition case from 2014, in which the Federal Cartel Office in Germany issued a decision and imposed a fine of EUR 62m for alleged infringement of the competition rules in 2007. The German Supreme Court referred the competition case back to a new Senate for full new proceedings, which are ongoing and expected to conclude in the first half of 2023.

In October 2021, the French competition authority issued a Statement of Objection against a large number of FMCG companies, including three entities in the Group – Kronenbourg SAS, Carlsberg Breweries A/S and Carlsberg A/S – for alleged participation in an anticompetitive agreement not to advertise the non-use of bisphenol A (BPA). Carlsberg did not agree with the French competition authority and prepared its defence in the case during 2021, which was submitted in the first quarter of 2022. The competition authority held hearings with the companies named in the case in January 2023, and a ruling is expected in the second half of 2023.

In October and November 2021, the Group's associate Super Bock in Portugal received decisions on the alleged anticompetitive practice in two ongoing cases. In the first case the Court of Portuguese appeal confirmed the fine of EUR 24m issued by the competition authority and in the second case the Portuguese competition authority imposed a fine of EUR 33m on Super Bock. Both decisions have been appealed to the Supreme Court by Super Bock. Since the formal notification by the court in 2021 about a private enforcement claim of EUR 400m, filed by a consumer protection association against Super Bock Group, for compensation for Portuguese consumers for alleged harm on account of Super Bock's alleged anticompetitive practices, there have been no significant developments in the case.

For some time, the Group has had serious disagreements pertaining to the Shareholders' Agreement between Carlsberg and our partner CSAPL Holdings Pte Ltd (CSAPLH) in relation to Carlsberg South Asia Pte Ltd (CSAPL), of which Carlsberg owns two thirds and CSAPLH the remaining one third. CSAPL is the holding company for the businesses in India (100%) and Nepal (90%). The disagreements concern CSAPLH's numerous allegations of breaches by Carlsberg of the Shareholders' Agreement and governance matters. Carlsberg was of the view that it had not committed any breach, but rather that CSAPLH had breached the Shareholders' Agreement.

SECTION 3.4 (CONTINUED)

CONTINGENT LIABILITIES

At the request of CSAPLH, the disagreements were referred to arbitration in Singapore. A liability award was issued by the arbitration tribunal on 4 May 2022. Carlsberg considers its position to be entirely vindicated by the liability award and is very satisfied with this outcome. The tribunal did not grant CSAPLH the relief it had been seeking based on the various allegations relating to governance and breach of the Shareholders' Agreement raised in the arbitration and publicly. The tribunal found CSAPLH to be in incurable material breach of the Shareholders' Agreement. As remedy for the material breaches committed by CSAPLH, the arbitration tribunal awarded Carlsberg the right to call CSAPLH's shares in CSAPL. Carlsberg immediately invoked the right to begin the call option valuation process, and CSAPLH subsequently exercised its right under the Shareholders' Agreement to begin the put option valuation process. In accordance with the Shareholders' Agreement, the put option price has been determined as the simple average of two valuations assessed by two independent external valuers, which are internationally recognised accounting firms, one appointed by each shareholder. The put option valuation was released by the valuers on 6 February 2023, stating a value for CSAPLH's shares in CSAPL of USD 744m (DKK 5,188m). CSAPLH has on 6 February, issued a formal put notice to sell its 33% shareholding in CSAPL to the Group at the put option valuation amount.The put option liability recognised in the consolidated financial statements has been adjusted to reflect the put option valuation amount received from the valuers as the acquisition of the shares may be completed at that price. A transaction could potentially be completed in 2023, subject to the clarification of any disputes raised by the shareholders and timelines for any regulatory approvals. CSAPLH has previously asked for an amount for its 33% shareholding in CSAPL that the Group considered to be unreasonably high and not to reflect the fair value of the shareholding. From the put option valuation received, it is the Group's assessment that key assumptions, which the Group considers to be unreasonable, may have been applied in the valuation performed by CSAPLH's appointed valuer. The put option valuation can be disputed by the shareholders if the valuations are conducted in breach of the Shareholders' Agreement, including, but not limited to, circumstances where the valuations are tainted by fraud or manifest error. The Group will work with its external advisors to evaluate its position and assess whether CSAPLH has committed additional breaches of the Shareholders' Agreement, which would justify further legal steps against CSAPLH..

In addition to the disputes with our partner in CSAPL regarding India and Nepal, there is also a dispute with the local 10% shareholder in Gorkha Brewery, a related party to the Group's 33% partner in CSAPL. The conclusion of the put or call option process and the increase to 100% ownership of CSAPL do not settle the dispute with the local shareholder, and Gorkha Brewery therefore remains not consolidated until the dispute is settled separately. A Nepalese High Court judgment was expected in 2022 but has been postponed and is now expected in H1 2023. A favourable ruling would not immediately lead to reconsolidation of the Nepalese business, which would require demonstration of the consistent ability to exercise our rights as the majority shareholder. Please refer to section 5.3.

Management and the general counsel continuously assess these risks and their likely outcome. It is the opinion of management and the general counsel that, apart from items recognised in the statement of financial position, the outcome of these lawsuits, disputes etc. cannot be reliably estimated in terms of amount or timing. The Group does not expect the ongoing lawsuits and disputes to have a material impact on the Group's financial position, net profit or cash flow, in excess of items recognised in the statement of financial position.

GUARANTEES AND COMMITMENTS

The Group has issued guarantees for loans etc. raised by third parties (non-consolidated entities) of DKK 205m (2021: DKK 224m). No guarantees have been issued for loans raised by associates. Certain guarantees etc. are issued in connection with disposal of entities and activities, and in connection with on-trade loans. Apart from items recognised in the statement of financial position or disclosed in the consolidated financial statements, these guarantees etc. will not have a material effect on the Group's financial position. Capital commitments, lease liabilities and service agreements are described in section 2.3.

SECTION 4

FINANCING COSTS, CAPITAL STRUCTURE AND EQUITY

19.7bn

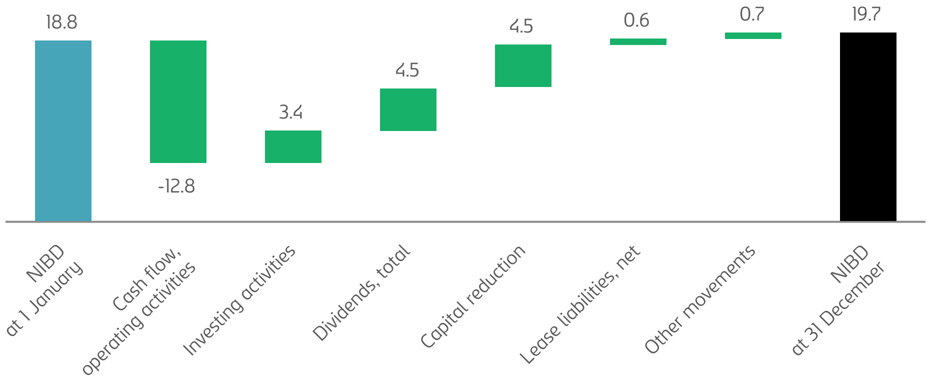
NET INTEREST-BEARING DEBT (DKK)

Gross financial debt amounted to DKK 29.0bn (2021: DKK 28.9bn). Net interest-bearing debt was DKK 19.7bn, an increase of DKK 0.9bn compared with year-end 2021. The classification of Russia as held for sale did not have have a significant impact on net interest-bearing debt.

The liquidity position remained strong due to the free cash flow of DKK 9.4bn and access to a EUR 2bn credit facility, which was unutilised at 31 December 2022.

The leverage ratio, measured as net interest-bearing debt to EBITDA, was 1.27x at year-end (2021: 1.34x). The financial leverage was kept slightly more conservative than in past years anticipating the acquisition of our partner's 33% shareholding in CSAPL.

CHANGES IN NET INTEREST-BEARING DEBT (DKKbn)



25.3bn

EQUITY (DKK)

Equity amounted to DKK 25.3bn (2021: DKK 37.3bn), DKK 22.5bn of which was attributable to shareholder in Carlsberg Breweries A/S and DKK 2.8bn to non-controlling interests.

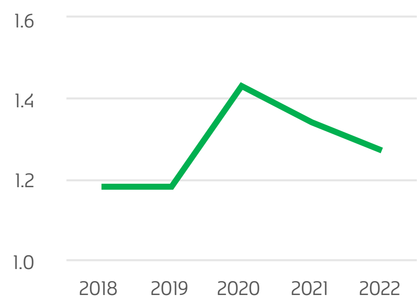
The change in equity of DKK -12.0bn was mainly due to the profit for the period of DKK 2.2bn foreign exchange losses on translation of DKK 3.9bn, the dividend payout of DKK 4.5bn and the capital reduction of DKK 4.5bn.

-714m

NET FINANCIAL ITEMS (DKK)

Financial items, net, amounted to DKK -714m (2021: DKK -386m). Excluding currency losses and fair value adjustments, financial items, net, amounted to DKK -491m (2021: DKK -331m). The increase was mainly due to 2021 being positively impacted by the reversal of the previous write-down of the loan to our partner in CSAPL.

LEVERAGE RATIO (NIBD/EBITDA)



2018-2020 as reported. 2021-2022 for continuing operations.

SECTION 4.1

FINANCIAL INCOME AND EXPENSES

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

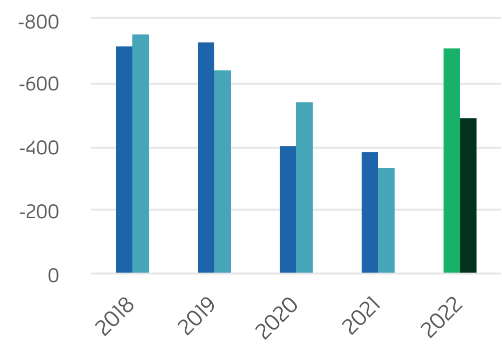
Foreign exchange losses, net, include fair value adjustments of hedges not designated as hedging instruments and foreign exchange losses. The fair value adjustment of hedges not designated as hedging instruments amounted to DKK -121m (2021: DKK -23m), cf. section 4.8.

Financial items in Russian operations held for sale are not included in the financial items, but foreign exchange gains and losses on continuing operations' RUB-denominated payables and receivables with respect to Russian operations held for sale are included.

Foreign exchange losses and fair value adjustments amounted to DKK -223m (2021: DKK -55m).

Of the net change in fair value of cash flow hedges transferred to the income statement, DKK 69m (2021: DKK 216m) has been included in revenue and cost of sales, DKK -16m (2021: DKK 4m) in other financial items, and DKK -2m in property, plant and equipment (2021: DKK 0m).

FINANCIAL ITEMS, NET (DKKm)



2018-2020 as reported. 2021-2022 for continuing operations.

Financial items, net
Financial items, net, excl. fair value and FX

Financial items recognised in the income statement

DKK million	2022	2021
Financial income		
Interest income	231	90
Interest on plan assets, defined benefit plans	120	99
Reversal of impairments of financial assets	-	363
Other	7	18
Total	**358**	**570**
Financial expenses		
Interest expenses	-519	-499
Capitalised financial expenses	2	4
Foreign exchange losses, net	-223	-55
Interest expenses on obligations, defined benefit plans	-158	-138
Interest expenses, lease liabilities	-23	-13
Other	-151	-255
Total	**-1,072**	**-956**
Financial items, net, recognised in the income statement	**-714**	**-386**
Financial items excluding foreign exchange, net	-491	-331

Financial items recognised in other comprehensive income

DKK million	2022	2021
Foreign exchange adjustments of foreign entities		
Foreign currency translation of foreign entities	-3,926	3,124
Recycling of cumulative translation differences of entities disposed of, deconsolidated or discontinued from use of equity-method	-	183
Total	**-3,926**	**3,307**
Fair value adjustments of hedging instruments		
Change in fair value of effective portion of cash flow hedges	-313	361
Change in fair value of cash flow hedges transferred to the income statement and property, plant and equipment	-51	-57
Change in fair value of net investment hedges	-395	-464
Total	**-759**	**-160**
Financial items, net, recognised in other comprehensive income	**-4,685**	**3,147**

SECTION 4.2

NET INTEREST-BEARING DEBT

Of the gross financial debt at year-end, 79% (2021: 79%) was non-current, i.e. with maturity of more than one year.

Gross financial debt amounted to DKK 29.0bn. (2021: DKK 28.9bn). Non-current borrowings totalled DKK 22.9bn (2021: DKK 22.8bn) and current borrowings totalled DKK 6.2bn (2021: DKK 6.2bn). A EUR 750m EMTN bond matured in November 2022 and was partly refinanced by a EUR 500m EMTN bond maturing in October 2025. The Group continuously assesses the maturity and repayment profile of its debt.

The difference of DKK 9.3bn between gross financial debt and net interest-bearing debt mainly comprised cash and cash equivalents and on-trade loans.

Net interest-bearing debt

DKK million	2022	2021
Non-current borrowings	22,865	22,755
Current borrowings	6,172	6,176
Gross financial debt	**29,037**	**28,931**
Cash and cash equivalents	-8,163	-8,344
Net financial debt	**20,874**	**20,587**
Loans to associates, interest-bearing portion	-275	-238
On-trade loans, net	-492	-578
Other receivables, net	-411	-928
Net interest-bearing debt	**19,696**	**18,843**

[1] Net interest-bearing debt, excluding disposal group held for sale, amounted to DKK 18,872m in 2021.

SECTION 4.3

CAPITAL STRUCTURE

4.3.1 CAPITAL STRUCTURE

Management regularly assesses whether the Group's capital structure is in the interests of the Group and its shareholder.

The overall objective is to ensure a continued development and strengthening of the Group's capital structure that supports long-term profitable growth and a solid increase in key earnings and ratios. This includes assessment of and decisions on the split of financing between share capital and borrowings, which is a long-term strategic decision to be made in connection with significant investments and other transactions.

Optimisation of share capital is carried out by managing the listed shares of Carlsberg A/S, including payment of dividends and share buybacks.

Borrowings are managed in Carlsberg Breweries A/S, where the majority of the Group's debt is denominated in listed bonds.

In November 2022, the share capital was reduced from DKK 499m to DKK 498m through a cash distribution of nominally DKK 1m at a (per 100) price of DKK 450,000, corresponding to a total cash distribution to Carlsberg A/S of DKK 4.5bn. This cash distribution reflects the share buy-backs that were carried out by Carlsberg A/S over a 12 month period from 4 February 2022.

The Group targets a leverage ratio below 2.0x. At the end of 2022, the leverage ratio was 1.27x (2021: 1.34x).

The Group is rated by Moody's Investors Service and Fitch Ratings. Management assesses the risk of changes in the Group's investment-grade rating as an element in strategic decisions on capital structure. Identification and monitoring of risks that could change the rating were carried out on an ongoing basis throughout the year.

Share capital

	Total share capital	
	Shares of DKK 1,000	Nominal value, DKK '000
1 January 2021	500,000	500,000
Capital reduction	-1,000	-1,000
31 December 2021	**499,000**	**499,000**
Capital reduction	-1,000	-1,000
31 December 2022	**498,000**	**498,000**

The share capital amounts to DKK 498m divided into shares in denominations of DKK 1,000 and multiples thereof. None of the shares confer any special rights. The share capital is fully owned by Carlsberg A/S, Copenhagen, Denmark.

4.3.2 EQUITY

DIVIDENDS

The Group proposes a dividend of DKK 7,420 per share (2021: DKK 6,986 per share), amounting to DKK 3,695m (2021: DKK 3,486m). The proposed dividend has been included in retained earnings at 31 December 2022. Dividends paid out to the shareholder in Carlsberg Breweries A/S do not impact taxable income in Carlsberg Breweries A/S.

Transactions with the shareholder in Carlsberg Breweries A/S

DKK million	2022	2021
Dividend paid to the shareholder	-3,486	-3,260
Capital reduction	-4,500	-4,000
Total	**-7,986**	**-7,260**

Dividends paid to non-controlling interests amounted to DKK 1,042m (2021: DKK 550m).

ACCOUNTING POLICIES

Proposed dividends

The proposed dividend is recognised as a liability at the date when it is adopted at the Annual General Meeting (declaration date).

SECTION 4.3 (CONTINUED)

CAPITAL STRUCTURE

4.3.3 OTHER COMPREHENSIVE INCOME

Other comprehensive income has mainly been impacted by the negative foreign exchange adjustment from translation of Group entities with a functional currency other than DKK. Of the DKK 3.9bn foreign exchange loss, around DKK 3.0bn relates to the timing of the write-down of RUB-denominated assets classified as disposal group held for sale. This was recognised in March 2022, when RUB had depreciated 10% compared with the end of 2021.

4.3.4 FINANCIAL RISK MANAGEMENT

The Group's activities mean it is exposed to a variety of financial risks, including market risk (foreign exchange risk, interest rate risk and commodity risk), credit risk and liquidity risk. These risks are described in the following sections:

- Foreign exchange risk: sections 1.4 and 4.6
- Interest rate risk: section 4.5
- Commodity risk: section 1.3.1
- Credit risk: sections 1.6.1 and 4.4.2
- Funding and liquidity risk: section 4.7

The Group's financial risks are managed by Group Treasury in accordance with the Financial Risk Management Policy approved by the Supervisory Board as an integrated part of the overall risk management process. The risk management governance structure is described in the Management review (pages 25-27).

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

Debt instruments and deposits in foreign currency reduce the overall risk but will generally not achieve the objective of reducing volatility in specific items in the income statement, unless they are designated as cash flow hedges.

Other comprehensive income as recognised in the statement of changes in equity

DKK million

2022	Currency translation	Hedging reserves	Retained earnings	Total	Non-controlling interests	Other comprehensive income
Foreign exchange adjustments of foreign entities	-3,384	-	4	-3,380	-546	-3,926
Value adjustments of hedging instruments	-395	-344	-	-739	-20	-759
Retirement benefit obligations	-	-	597	597	-3	594
Income tax	88	15	-79	24	1	25
Total	**-3,691**	**-329**	**522**	**-3,498**	**-568**	**-4,066**
2021						
Foreign exchange adjustments of foreign entities	3,379	-	-	3,379	-72	3,307
Value adjustments of hedging instruments	-464	134	-	-330	7	-323
Retirement benefit obligations	-	-	579	579	-2	577
Share of other comprehensive income in associates	-	-	10	10	-	10
Income tax	102	-18	-5	79	24	103
Total	**3,017**	**116**	**584**	**3,717**	**-43**	**3,674**

SECTION 4.4

BORROWINGS AND CASH

4.4.1 BORROWINGS

Non-current borrowings were unchanged, as the EUR 500m EMTN bond that matures in September 2023 was reclassified as current and a new EUR 500m EMTN bond maturing in October 2025 was issued. Current borrowings were impacted by the repayment of a EUR 750m EMTN bond in November, offset by the aforementioned reclassification of the EUR 500m bond and issuance under the commercial paper programme.

Gross financial debt

DKK million	2022	2021
Non-current		
Issued bonds	21,470	21,452
Bank borrowings	70	78
Lease liabilities	1,203	1,012
Other borrowings	122	213
Total	**22,865**	**22,755**
Current		
Issued bonds	3,714	5,573
Bank borrowings	271	116
Lease liabilities	390	375
Commercial paper and other borrowing	1,797	112
Total	**6,172**	**6,176**
Total borrowings	**29,037**	**28,931**
Fair value	27,085	29,584

[1] Total borrowings, excluding disposal group held for sale, amounted to DKK 28,902m in 2021.

An overview of issued bonds is provided in section 4.5.

Changes in gross financial debt

DKK million	2022	2021
Gross financial debt at 1 January	28,931	30,259
Proceeds from issue of bonds	3,708	-
Instalments on and proceeds from borrowings, non-current	-5,583	-1,001
Instalments on and proceeds from borrowings, current	-	-216
Instalments on lease liabilities	-423	-405
Commercial paper and other borrowing	1,860	845
External financing	**-438**	**-777**
Change in bank overdrafts	-	-135
Gross financial debt reclassified to disposal held for sale	-29	-
Increase in lease liabilities, net	629	275
Intercompany loans	-308	-853
Other, including foreign exchange adjustments and amortisation	252	162
Gross financial debt at 31 December	**29,037**	**28,931**

ACCOUNTING POLICIES

Borrowings

Borrowings are initially recognised at fair value less transaction costs and subsequently 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 under financial expenses over the term of the loan.

Lease liability

The lease liability is measured at the present value of the remaining lease payments at the reporting date, discounted using the incremental borrowing rate for similar assets, taking into account the terms of the leases. A remeasurement of the lease liability, for example a change in the assessment of an option to purchase, results in a corresponding adjustment of the related right-of-use assets, cf. section 2.3.

Extension or termination options are included in the lease term if the lease is reasonably certain to be extended or not terminated. Consequently, all cash outflows that are reasonably certain to impact the future cash balances are recognised as lease liabilities at initial recognition of lease contracts. The Group reassesses the circumstances leading to it not recognising extension or termination options on an ongoing basis.

4.4.2 CASH

Cash and cash equivalents include short-term marketable securities with a term of three months or less at the acquisition date that are subject to an insignificant risk of changes in value. Short-term bank deposits amounted to DKK 1,530 at 31 December 2022 (2021: DKK 735). The average interest rate on these deposits was 6.2% (2021: 3.3%).

Total cash at bank amounted to DKK 8,163m in 2022 (2021: DKK 8,344m).

Additional cash and cash equivalents of DKK 1,194m included in assets in disposal group held for sale are not available for general use in the Group due to currency restrictions.

ASSESSMENT OF CREDIT RISK

The Group is exposed to credit risk on cash and cash equivalents (including fixed deposits), investments and derivative financial instruments with a positive fair value due to uncertainty as to whether the counterparty will be able to meet its contractual obligations as they fall due.

The Group has established a credit policy under which financial transactions may be entered into only with financial institutions with a solid credit rating, defined as BBB. Carlsberg only enters into derivatives with relationship banks, and the associated credit risk is mitigated to some extent by entering into ISDA agreements, partly because it is the same group of banks extending loans to the Group.

Group Treasury manages and monitors the Group's gross credit exposure to banks and operates with individual limits on banks, based on rating and access to netting of assets and liabilities. For some of the markets in which the Group operates and holds cash, the financial institutions do not have a BBB rating, in which case an exemption is approved by Group Treasury.

EXPOSURE TO CREDIT RISK

The carrying amount of DKK 8,163m (2021: DKK 8,344m) represents the maximum credit exposure related to cash and cash equivalents.

The credit risk on receivables is described in section 1.6.1.

SECTION 4.5

INTEREST RATE RISK

The Group's exposure to interest rate risk in the income statement is considered low due to the limited amounts of net financial debt at variable interest rates. Interest rate risk is monitored on net financial debt, i.e. borrowings, cash and cash equivalents and derivative financial instruments. The target is to have a duration between three and eight years. At 31 December 2022, the duration was 4.1 years (2021: 4.8 years). Interest rate risk is mainly managed using fixed-rate bonds, which are all denominated in EUR. At the reporting date, 104% of the net financial debt consisted of fixed-rate borrowings with interest rates fixed for more than one year (2021: 105%).

On a gross debt basis, 76% was at fixed interest rates (2021: 75%). Most of the Group's cash and cash equivalents are held in currencies other than EUR, whereas EUR accounts for the predominant part of the fixed-rate borrowings. As a result, 127% of the Group's net debt is in EUR, which is why the interest rate exposure primarily relates to the development in the interest rates for EUR.

SENSITIVITY ANALYSIS

Since the Group has more cash and cash equivalents than borrowings with a floating interest rate, an increase in interest rates would result in a decrease in net interest expenses. It is estimated that a 1 percentage point interest rate increase would lead to a decrease in net interest expenses of DKK 12m (2021: DKK 11m).

The impact reflects a relatively high percentage of the gross debt being at fixed interest rates and the high portion of cash. The analysis assumes a parallel shift in the relevant yield curves.

If the market interest rate had been 1 percentage point higher at the reporting date, it would have led to a financial gain of DKK 842m (2021: DKK 997m), and a similar loss had the interest rate been 1 percentage point lower. However, since all fixed-rate borrowings are measured at amortised cost, there is no impact on other comprehensive income or the income statement. The fair value of total gross borrowings was DKK 1,952m lower than the carrying amount (2021: DKK 653m higher).

The change is due to the increase in interest rates during 2022.

The sensitivity analysis is based on the financial instruments (borrowing, cash and derivative financial instruments) recognised at the reporting date.

The sensitivity analysis assumes a parallel shift in interest rates and that all other variables remain constant, in particular foreign exchange rates and interest rate differentials between the different currencies. The analysis was performed on the same basis as for 2021. The Group did not enter into any new interest rate swaps in 2022 or 2021.

Net financial debt by currency

DKK million

2022	Gross financial debt	Net financial debt	Fixed	Gross financial debt, fixed %	Net financial debt, fixed %[1]
EUR	27,040	26,083	21,530	80%	83%
CNY	94	-3,560	-	-	-
USD	345	-35	104	30%	-297%
Other	1,558	-1,614	37	2%	-2%
Total	**29,037**	**20,874**	**21,671**	**75%**	**104%**
2021					
EUR	27,598	25,227	21,515	78%	85%
CNY	35	-2,777	-	-	-
USD	413	42	194	47%	462%
Other	885	-1,905	9	1%	-
Total	**28,931**	**20,587**	**21,718**	**75%**	**105%**

[1] The percentage of net debt at fixed interests rates is above 100% in some currencies, as the total cash exceeds the current debt. In some currencies the percentage of net debt at fixed interests is negative, as the total cash exceeds the total debt.

Interest rate risk

DKK million

2022	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
Issued bonds					
EUR 500m maturing 6 September 2023	Fixed	0.7%	< 1 year	3,714	Fair value
EUR 1,000m maturing 28 May 2024	Fixed	2.6%	1-2 years	7,421	Fair value
EUR 500m maturing 12 October 2025	Fixed	3.4%	2-3 years	3,705	Fair value
EUR 500m maturing 30 June 2027	Fixed	0.5%	4-5 years	3,699	Fair value
EUR 400m maturing 1 July 2029	Fixed	1.0%	> 5 years	2,948	Fair value
EUR 500m maturing 11 March 2030	Fixed	0.7%	> 5 years	3,697	Fair value
Total		**1.7%**		**25,184**	
Total 2021		**1.6%**		**27,025**	
Bank borrowings and other borrowings					
Floating-rate	Floating	1.8%	< 1 year	3,653	Cash flow
Fixed-rate	Fixed	1.7%	> 1 year	200	Fair value
Total				**3,853**	
Total 2021				**1,906**	

SECTION 4.6

FOREIGN EXCHANGE RISK RELATED TO NET INVESTMENTS AND FINANCING ACTIVITIES

4.6.1 CURRENCY PROFILE OF BORROWINGS

The Group is exposed to foreign exchange risk on borrowings denominated in a currency other than the functional currency of the local entities reporting the debt, as well as the risk that arises when net cash inflow is generated in one currency and borrowings are denominated and have to be repaid in another currency.

4.6.2 HEDGING OF NET INVESTMENTS IN FOREIGN SUBSIDIARIES

The Group holds a number of investments in foreign subsidiaries where the translation of net assets to DKK is exposed to foreign exchange risks. The revaluation of the net investment is recognised in OCI. The net investment in RUB continues to constitute a significant risk in terms of revaluation of the net investment, due both to the size of the net investment and to the volatility of RUB. The Group hedges part of this foreign exchange exposure by selling foreign currencies via FX forwards and NDFs, and designates these as net investment hedges. This mainly applies to net investments in CHF, CNY, MYR and NOK. The basis for hedging is reviewed at least once a year, and the two parameters, risk reduction and cost, are balanced. At the 2022 review it was decided to stop hedging the PLN net investment due to the high cost of hedging and to increase the hedging of CNY.

The latter reflects the increase in exposure and the currently relatively low cost of hedging. In economic terms, having debt in foreign currency or creating synthetic debt via forward exchange contracts constitutes hedging of the DKK value of future cash flows arising from operating activities or specific transactions. Where the notional amounts of forward exchange contracts do not exceed the net investment, the fair value adjustments are recognised in other comprehensive income. Two of the most significant net risks relate to foreign exchange adjustment of net investments in CNY and CHF, both of which are partly hedged.

All the forward exchange contracts mature during 2023. At 31 December 2022, all adjustments of financial instruments have been recognised in other comprehensive income. Fair value adjustments of loans designated as strategic intra-group loans have also been recognised in other comprehensive income.

The fair value of derivatives used as net investment hedges recognised at 31 December 2022 amounted to DKK 38m (2021: DKK -232m).

The closing balance in the equity reserve for currency translation of hedges of net investments for which hedge accounting no longer applies amounted to DKK -2,282m (2021: DKK -1,893m), of which -24m (2021: -24m) relates to hedging of net investments in RUB. Positive fair values of derivatives are recognised as other receivables and negative values as other liabilities.

4.6.3 EXCHANGE RATE RISK ON CASH AND BORROWINGS

The main principle for funding of subsidiaries is that cash and borrowings should be denominated in local currency or hedged to local currency to avoid foreign exchange risk. However, in some Group entities, cash and borrowings are denominated in a currency other than the functional currency of the local entity without the foreign exchange risk being hedged. This applies primarily to a few entities in Central & Eastern Europe that hold cash and loans in EUR and USD and in this way obtain either hedge accounting or proxy hedging of the foreign exchange risk associated with the purchase of goods in foreign currency in these markets.

Currency profile of borrowings

Before and after derivative financial instruments

DKK million 2022	Original principal	Effect of swap	After swap
CHF	254	1,180	1,434
NOK	182	696	878
EUR	27,040	-8,173	18,867
USD	345	2,985	3,330
CNY	94	3,632	3,726
Other	1,122	-320	802
Total	**29,037**	**-**	**29,037**
Total 2021	**28,931**	**-**	**28,931**

Net investment hedges

	Hedging of investment, amount in local currency		Intra-group loans, amount in local currency		Other comprehensive income (DKK)		Average hedged rate		2022 Fair value of derivatives		2021 Fair value of derivatives	
DKK million	2022	2021	2022	2021	2022	2021	2022	2021	Asset	Liability	Asset	Liability
CNY	-3,907	-2,407	-	-	-12	-323	1.0355	0.9611	83	-	-	-109
MYR	-128	-292	-	-	-21	-28	1.5560	1.5022	-	-3	-	-15
HKD	-	-	-2,128	-1,079	-49	-64	-	-	-	-	-	-
CHF	-310	-263	-	-	-109	-80	7.4334	6.8305	-	-58	-	-93
NOK	-1,300	-1,300	3,000	3,000	-94	62	0.7179	0.7269	16	-	-	-19
SEK	-	-	2,217	2,717	-136	-42	-	-	-	-	-	-
Other	-	-175	18	67	26	11	-	-	-	-	4	-
Total					**-395**	**-464**			**99**	**-61**	**4**	**-236**

SECTION 4.6 (CONTINUED)

FOREIGN EXCHANGE RISK RELATED TO NET INVESTMENTS AND FINANCING ACTIVITIES

4.6.4 IMPACT ON FINANCIAL STATEMENTS AND SENSITIVITY ANALYSIS

IMPACT ON INCOME STATEMENT

For the impact of currency on operating profit and financial items, please refer to sections 1.4 and 4.1 respectively.

IMPACT ON STATEMENT OF FINANCIAL POSITION

Fluctuations in foreign exchange rates will affect the level of debt, as funding is obtained in a number of currencies. In 2022, net interest-bearing debt increased by DKK 431m (2021: decreased by DKK 267m) due to changes in foreign exchange rates.

SENSITIVITY ANALYSIS

An adverse development in the exchange rates would, all other things being equal, have had the hypothetical impact on the income statement and other comprehensive income (OCI) for 2022 illustrated in the tables. The calculations are based on items in the statement of financial position at 31 December 2022.

Income statement

The hypothetical impact ignores the fact that the subsidiaries' initial recognition of revenue, cost and debt would be similarly exposed to the exchange rate developments.

Other comprehensive income

Other comprehensive income is affected by changes in the fair value of currency derivatives designated as cash flow hedges of future purchases.

Exchange rate sensitivity - other comprehensive income

2022						2021
DKK million	Average hedged rate	Notional amount	Change	Effect on OCI	Average hedged rate	Effect on OCI
NOK/DKK	0,7208	-975	5%	-49	0.7189	-39
SEK/DKK	0,6869	-832	5%	-42	0.7284	-30
PLN/DKK	1,4694	-691	5%	-35	1.6039	-26
CHF/DKK	7,5080	-523	5%	-26	6.9171	-22
USD/DKK	7,5926	383	10%	38	6.3627	33
RUB/DKK	0,1071	-578	20%	-116	0.0822	-128
UAH/DKK	0,2212	-311	20%	-62	N/A	-
Other	N/A	-342	5-30%	-53	N/A	-12
Total				**-345**		**-224**

Exchange rate sensitivity - income statement

2022								2021
DKK million	EUR receivable	EUR payable	EUR cash	Gross exposure	Exposure, net of hedging	Change	Effect on P/L	Effect on P/L
EUR/GBP	-	-32	32	-	-	5%	-	-43
EUR/NOK	94	-459	319	-46	-46	5%	-2	-14
EUR/CHF	124	-272	77	-71	-71	5%	-4	7
EUR/PLN	684	-638	-15	31	31	5%	2	6
EUR/KZT	-	-23	149	126	126	10%	13	11
EUR/RUB	20	-242	556	334	334	10%	33	-3
EUR/UAH	-	-24	-	-24	-24	10%	-2	13
Total							**40**	**-23**

								2021
2022	USD receivable	USD payable	USD cash	Gross exposure	Exposure, net of hedging	Change	Effect on P/L	Effect on P/L
USD/LAK	10	-170	257	97	97	10%	10	6
USD/KZT	-	-	182	182	182	10%	18	10
USD/RUB	-	-	116	116	116	10%	12	-
USD/UAH	-	-1	-	-1	-1	10%	-	9
Total							**40**	**25**

SECTION 4.6 (CONTINUED)

FOREIGN EXCHANGE RISK RELATED TO NET INVESTMENTS AND FINANCING ACTIVITIES

APPLIED EXCHANGE RATES

The average exchange rate was calculated using the monthly exchange rates weighted according to the phasing of the revenue per currency throughout the year.

Applied exchange rates

	Closing rate		Average rate	
DKK	2022	2021	2022	2021
Swiss franc (CHF)	7.5520	7.1760	7.4190	6.8777
Chinese yuan (CNY)	1.0106	1.0296	1.0569	0.9700
Euro (EUR)	7.4365	7.4365	7.4397	7.4369
Pound sterling (GBP)	8.3845	8.8604	8.7235	8.6837
Indian rupee (INR)	0.0840	0.0878	0.0903	0.0852
Laotian kip (LAK)	0.0004	0.0006	0.0005	0.0006
Norwegian krone (NOK)	0.7073	0.7459	0.7374	0.7323
Polish zloty (PLN)	1.5887	1.6180	1.5859	1.6310
Russian rouble (RUB)	0.0983	0.0894	0.1134	0.0855
Swedish krona (SEK)	0.6686	0.7260	0.7002	0.7330

SECTION 4.7

FUNDING AND LIQUIDITY RISK

Liquidity risk results from the Group's potential inability to meet the obligations associated with its financial liabilities, for example settlement of financial debt and paying suppliers.

The Group's overall objective is to ensure continuous access, at the right price, to the financial resources needed for operations and growth.

The aim is to ensure effective liquidity management, which involves obtaining sufficient committed credit facilities to ensure adequate financial resources and, to some extent, tapping a range of funding sources.

DIVERSIFIED FUNDING SOURCES

The Group is diversifying its access to funding to avoid relying on one single source of funding.

The Group still has access to a committed EUR 2bn revolving credit facility (RCF) maturing in 2026, which is currently not being utilised. In addition, the Group has committed cash pool bank overdraft facilities to cover the day-to-day liquidity needs and uncommitted access to the Euro Commercial Paper (ECP) market, which provides short-term funding.

At 31 December 2022, bonds accounted for 87% of the gross funding.

FUNDING STRATEGY AND REACTION TO INCREASED UNCERTAINTY

Since March 2020 and the first COVID-19 lockdowns in Western Europe, the Group has maintained an increased focus on liquidity, and a special effort has been made to improve cash flow forecasting, including introducing frequent short-term cash flow updates. As Western European markets came out of lockdown in 2022, cash generation normalised, but the geopolitical situation surrounding Ukraine required continued strong focus on short-term liquidity. During 2022, the Group obtained a EUR 500m short-term bank loan to provide an additional buffer against adverse market conditions.

The loan was repaid when Carlsberg issued a EUR 500m EMTN bond in October.

Committed credit facilities and credit resources available

DKK million

2022	Total committed loans and credit facilities	Utilised portion of credit facilities	Unutilised credit facilities	2021 Unutilised credit facilities
Current				
< 1 year	7,321	6,172	1,149	1,149
Total current committed loans and credit facilities	**7,321**	**6,172**	**1,149**	**1,149**
Non-current				
1-2 years	7,904	7,904	-	-
2-3 years	3,823	3,823	-	-
3-4 years	14,982	105	14,877	-
4-5 years	3,775	3,775	-	14,874
> 5 years	7,258	7,258	-	-
Total non-current committed loans and credit facilities	**37,742**	**22,865**	**14,877**	**14,874**
Cash and cash equivalents			8,163	8,344
Current portion of utilised credit facilities	-	-	-6,172	-6,176
Credit resources available (total non-current committed loans and credit facilities less net debt)			**16,868**	**17,042**

SECTION 4.7 (CONTINUED)

FUNDING AND LIQUIDITY RISK

CREDIT RESOURCES AVAILABLE

The Group uses the term "credit resources available" to determine the adequacy of access to credit facilities.

Credit resources available include cash and unutilised credit facilities with more than 12 months to maturity less utilised credit facilities with less than 12 months to maturity and uncommitted working capital facilities.

Net financial debt is used internally to monitor the Group's credit resources available. Net financial debt is the Group's net interest-bearing debt, excluding interest-bearing assets other than cash, as these assets are not actively managed in relation to liquidity risk. Net financial debt is shown in section 4.2.

At 31 December 2022, the Group had total credit resources available of DKK 16,868m, consisting of cash and cash equivalents of DKK 8,163m plus committed unutilised non-current credit facilities of DKK 14,877m less utilisation of current facilities of DKK 6,172m. Including current credit facilities of DKK 1,149m, total committed unutilised credit facilities amounted to DKK 16,026m.

Credit resources available at year-end 2022 were unchanged from year-end 2021, due to the strong cash flow and ongoing funding activities.

The credit resources available and access to unused committed credit facilities are considered reasonable in light of the Group's current needs in terms of financial flexibility.

The Group uses cash pools for day-to-day liquidity management in most of its entities in Western Europe, as well as intra-group loans to subsidiaries. Central & Eastern Europe and Asia are less integrated in terms of cash pools, and liquidity is managed via intra-group loans. For some markets in Asia, intra-group loans are not possible, and surplus liquidity will be paid out in the form of dividends, which results in a time lag between when the cash flow is generated and when it becomes available for repayment of Group debts. The most significant cash balances related to this delay are in China.

Time to maturity for non-current borrowings

DKK million

2022	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	7,421	3,705	-	3,698	6,646	21,470
Bank borrowings	21	23	22	4	-	70
Lease liabilities	356	95	82	72	598	1,203
Other non-current borrowings	106	-	1	1	14	122
Total	**7,904**	**3,823**	**105**	**3,775**	**7,258**	**22,865**
Total 2021	**4,198**	**7,599**	**82**	**62**	**10,814**	**22,755**

MATURITY OF FINANCIAL LIABILITIES

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

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

The nominal amount/contractual cash flow of gross financial debt totalled DKK 29,148m in 2022 (2021: DKK 29,107m), whereas the total carrying amount was DKK 29,037m (2021: DKK 28,931m). The difference between these amounts arises at initial recognition and is treated as a cost that is capitalised and amortised over the duration of the borrowings.

The interest expense is the contractual cash flows expected on the gross financial debt existing at 31 December 2022.

The cash flow is estimated based on the notional amount of the above-mentioned borrowings and expected interest rates at year-end 2022 and 2021. Interest on debt recognised at year-end 2022 and 2021 for which no contractual obligation exists (current borrowing and cash pools) has been included for a two-year period. The synthetic interest on lease liabilities has also been included for a two-year period. The interest applied to the part of the debt where no contractual obligation exists is 2.8% (2021: 1.5%). The increase is due to the increase in interest rates seen for most currencies during 2022.

Maturity of financial liabilities

DKK million

2022	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
Derivative financial instruments					
Derivative financial instruments, payables	372	366	6	-	396
Non-derivative financial instruments					
Gross financial debt	29,148	6,177	15,666	7,305	29,037
Interest expenses	1,227	706	430	91	N/A
Trade payables and other liabilities	23,533	23,533	-	-	23,533
Contingent liabilities	205	205	-	-	205
Contingent considerations	5,596	5,281	315	-	5,596
Non-derivative financial instruments	**59,709**	**35,902**	**16,411**	**7,396**	**-**
Financial liabilities	**60,081**	**36,268**	**16,417**	**7,396**	**-**
Total 2021	**57,319**	**33,257**	**13,011**	**11,051**	**-**

SECTION 4.8

DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into various derivative financial instruments to hedge foreign exchange and commodity risks, cf. sections 1.3 and 1.4, and seeks to apply hedge accounting when this is possible. Hedging of future, highly probable forecast transactions is designated as cash flow hedges. In 2022, the Group entered into its first Power Purchase Agreement (PPA) as part of the Together Towards ZERO and Beyond (TTZAB) effort to decarbonise the Group. The PPA is a 10-year agreement and is designated as a hedge of electricity consumption at the brewery in Fredericia, Denmark. The market value at 31 December 2022 was DKK 83m and is presented together with aluminium hedges in other instruments.

The Group monitors the cash flow hedge relationships twice a year to assess whether the hedge is still effective.

Positive fair values of derivatives are recognised as other receivables and negative values as other liabilities.

The impact on other comprehensive income and the fair value of derivatives classified as cash flow hedges is presented in the cash flow hedge table.

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. At 31 December 2022, hedging reserves included DKK -843m in relation to cash flow hedges for which hedge accounting is no longer applied. Of the total reserve, DKK -595m relates to hedges of the original acquisition of the Russian operations currently held for sale. This amount will be reclassified from equity to the income statement and included in the net result from Russian operations held for sale at the time of disposal.

Fair value adjustments of derivative financial instruments that are not designated as either net investment hedges or cash flow hedges are recognised in financial income and expenses.

Of the DKK -356m reported in OCI regarding other instruments, DKK -71m is realised gains on aluminium hedges transferred to Russian operations held for sale. Of the DKK -8m reported regarding exchange rate instruments, DKK 211m is realised losses transferred to Russian operations held for sale.

! ACCOUNTING ESTIMATES AND JUDGEMENTS

When entering into financial instruments, management assesses whether the instrument is an effective hedge of recognised assets and liabilities, expected future cash flows or financial investments. The effectiveness of recognised hedging instruments is assessed at least twice a year.

Fair values of derivative financial instruments are calculated on the basis of level 2 input consisting of current market data and generally accepted valuation methods. Internally calculated values are used, and these are compared with external market quotes on a quarterly basis. For currency, aluminium and electricity derivatives, the calculation is as follows:

a) The forward market rate is compared with the agreed rate on the derivatives, and the difference in cash flow at the future point in time is calculated.

b) The amount is discounted to present value.

When entering into a contract, management assesses whether the contract contains embedded derivatives and whether they meet the criteria for separate classification and recognition. The Group currently does not have any embedded derivatives that meet the criteria for separate classification and recognition.

Cash flow hedges

DKK million					Expected recognition	
2022	Other comprehen-sive income	Fair value receivables	Fair value payables	Fair value, net	2023	2024 and later
Exchange rate instruments	-8	62	-19	43	43	-
Other instruments	-356	101	-202	-101	-183	82
Total	**-364**	**163**	**-221**	**-58**	**-140**	**82**

2021	Other comprehen sive income	Fair value receivables	Fair value payables	Fair value, net	2022
Exchange rate instruments	-20	13	-47	-34	-34
Other instruments	161	240	-	240	240
Total	**141**	**253**	**-47**	**206**	**206**

Financial derivatives not designated as hedging instruments (economic hedges)

DKK million 2022	Income statement	Fair value receivables	Fair value payables	Fair value, net
Exchange rate instruments	-105	90	-105	-15
Ineffectiveness	-16	-	-	-
Total	**-121**	**90**	**-105**	**-15**
2021				
Exchange rate instruments	-27	86	-32	54
Ineffectiveness	4	-	-	-
Total	**-23**	**86**	**-32**	**54**

SECTION 4.8 (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICIES

Derivative financial instruments are initially recognised at fair value on the trade date and subsequently remeasured at their fair value at the reporting date.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as one of:
- Fair value hedges of the fair value of recognised assets or liabilities
- Cash flow hedges of particular risks associated with the cash flow from forecast transactions
- Net investment hedges of currency fluctuations in subsidiaries or associates.

The fair values of derivative financial instruments are presented in other receivables or payables, and positive and negative values are offset only when the Group has the right and the intention to settle several financial instruments net.

Changes in the fair value of a **fair value hedge** and of derivative financial instruments not designated in a hedge relationship are recognised in financial income or expenses in the income statement.

Changes in the effective portion of the fair value of derivative financial instruments that are designated and qualify as a **cash flow hedge** are recognised in the hedging reserve within equity. When the hedged transaction materialises, amounts previously recognised in other comprehensive income are transferred to the same item as the hedged item.

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.

Hedges of net investments in foreign subsidiaries and associates are accounted for in the same way as cash flow hedges.

SECTION 5

DISCONTINUED OPERATIONS, ACQUISITIONS, DISPOSALS AND ASSOCIATES

Russian operations held for sale

On 28 March, the Group announced its decision to seek a full divestment of its Russian business, following Russia's invasion of Ukraine.

SECTION 5.1

DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

In March 2022, the Group announced its decision to seek a full divestment of its Russian business, following Russia's invasion of Ukraine.

The net result from Russian operations held for sale is presented separately in the income statement and as net cash flow from Russian operations held for sale in the statement of cash flows. The comparative figures have been restated accordingly.

Until completion of the divestment, the Russian business will not be part of the Central & Eastern Europe region and is therefore not included in the segment disclosures, cf. section 2.

Analysis of net result from Russian operations held for sale

DKK million	2022	2021
Revenue	10,207	6,537
Costs	-8,228	-6,755
Profit before tax from Russian operations held for sale	**1,979**	**-218**
Income tax	-105	-66
Profit from Russian operations held for sale	**1,874**	**-284**
Impairment loss recognised on the remeasurement to fair value less costs to sell	-8,364	-
Net result from Russian operations held for sale	**-6,490**	**-284**

In the statement of financial position, the Russian business is presented as assets and liabilities in disposal group held for sale. The comparative figures for 2021 have not been restated.

Financial performance
Revenue grew by 56% to DKK 10.2bn due to price increases and the appreciation of RUB during the year. Despite significant input cost increases, profit from Russian operations held for sale increased to DKK 1.9bn, supported by depreciation being discontinued from March 2022, a positive foreign exchange impact of around DKK 0.3bn and reversal of a tax provision of around DKK 0.2bn. The net result was DKK -6.5bn, due to the impairment charge of DKK 8.4bn.

SECTION 5.1 (CONTINUED)

DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

Goodwill allocated to Russia of DKK 7,966m was classified as held for sale as of 28 March 2022. The allocation was made on a historic basis, which, in the opinion of management, best reflects the goodwill associated with the operations held for sale. The goodwill was originally recognised in several separate transactions.

Major classes of assets and liabilities in disposal group held for sale

DKK million	2022	2021
Intangible assets	5,483	16,211
Property, plant and equipment	2,989	2,562
Inventories	1,015	776
Receivables	937	828
Cash and cash equivalents1	1,194	127
Assets in disposal group held for sale	**11,618**	**20,504**
Borrowings	101	-
Tax liabilities, retirement benefit obligations etc.	1,144	1,275
Trade payables	1,892	1,585
Other liabilities	963	771
Liabilities in disposal group held for sale	**4,100**	**3,631**
Net assets in disposal group held for sale	**7,518**	**16,873**

[1] Cash and cash equivalents are not available for general use in the Group because of currency restrictions.

Net cash flow from Russian operations held for sale

DKK million	2022	2021
Cash flow from operating activities	1,952	981
Cash flow from investing activities	-376	-316
Cash flow from financing activities	195	-3
Net cash flow from Russian operations held for sale	**1,771**	**662**

ASSETS HELD FOR SALE

It is management's assessment that the shareholdings in the legal entities that will be divested are available for immediate sale subject to governmental approval in Russia. As is customary when disposing of businesses, the Group has elected to conduct a structured separation process to eliminate the need for transitional service arrangements to the greatest extent possible.

Immediately after the intention to dispose of the Russian operations was announced, a project plan was initiated outlining the actions required to complete all stages of transferring the business, which was estimated to take up to 12 months. Successful completion of the process of separating the business within 12 months could be influenced by the political situation in Russia, as governmental approval is required, which could potentially prolong the process.

As the Russian operations are an integrated part of the Group, the separation process is complex, involving more than 150 separation workstreams across business functions, which has extended the divestment process compared with an immediate sale involving transitional service arrangements. The Group can at any time elect to suspend the separation work and complete an immediate sale of the relevant shareholdings if required.

The necessary steps for the divestment were initiated alongside the separation process. Since the announcement, a process has been running to clarify the impact of sanctions and the Russian government's approval process, select advisors, identify potential buyers and formalise the sales process. A buyer-screening process has been initiated, and specific requirements of the bidders defined. A careful screening process is under way to evaluate the bidders' appropriateness to participate in any transaction.

An offer process is expected to commence in Q1 2023 with the aim of signing a divestment agreement by mid-2023.

FAIR VALUE ESTIMATION

On classification of the Russian operations as held for sale, management estimated the fair value of the business (the expected sales price less cost of disposal). The inputs applied in the estimation of the fair value are categorised as level 3 in the fair value hierarchy, as they are not based on observable market data.

The Russian operations are considered to be a rare asset to be classified as held for sale, which is reflected in the estimation of the fair value. The valuation was performed for the Russian business on a stand-alone basis, which excludes synergies from the integration into the Group and the right to produce and sell the Carlsberg brand, and increases the required return on investment. This negatively impacted the valuation compared with the value attributed to the Russian business in previous years' impairment tests. Remeasurement of the Russian operations classified as held for sale at fair value resulted in recognition of a write-down of DKK 8,364m in 2022.

The overall political situation in Russia is uncertain, impacting the valuation. Presidential Decrees have been issued setting out prohibitions and restrictions on the sale of certain Russian companies, directly or indirectly. For the time being, it is uncertain how these Decrees will affect the divestment process

SECTION 5.1 (CONTINUED)

DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

in practice. However, they could potentially impact the timing of the divestment and the value realised in a sales transaction, as authorisation from the Special Government Commission in Russia is required for the divestment. It is assessed that the legal requirements for completing the divestment are fulfilled to the extent these are within the Group's control. These uncertainties are considered to be reflected in the assumptions applied in the valuation.

The estimated fair value recognised in the consolidated financial statements reflects the value expected to be realised in a sales transaction, factoring in all regulatory processes and approvals currently known or indicated by the authorities. However, there is continuing uncertainty with regard to the regulatory requirements in Russia, and there may be further changes, which may impact the valuation of the business.

Valuation process and model

The valuation is based not on external offers for the business but on estimations of the net present value of expected future cash flows in local currency (RUB), as the cash flow projections are largely denominated in RUB.

The valuation is based on a 10-year forecast of free cash flows using budgets and forecasts for 2023-2025 prepared by local management in the Russian business, with the forecast for the remaining seven years based on general projections for the key assumptions. Cash flows beyond the 10-year period are extrapolated using a terminal period growth rate.

Assumptions applied in the short to medium term generally reflect management's expectations considering all relevant factors and are based on experience and external sources of information, where possible and relevant.

The valuation excludes potential premiums that may arise as part of the price discovery process, such as a synergy premium that some buyers may be able to access, or any other scarcity premium.

Key assumptions

Management has estimated the following key assumptions based on level 3 inputs:

- Post-tax discount rate 21%
- Terminal period growth rate 4%
- Compounded annual growth in unadjusted free cash flow in the forecast period 5%

In addition, management has assessed the validity of the official foreign currency exchange rate (RUB/DKK) applied, published by the Central Bank of Russia.

Discount rate

The discount rate applied is a post-tax weighted average cost of capital (WACC). The assumptions for determining the discount rate are subject to a very high degree of volatility and uncertainty due to the current macroeconomic situation in Russia.

The war has resulted in increased inflation in Russia. The effect is seen in the higher interest rate incorporated in the WACC used for discounting cash flows, as well as the increase in the inflation rates used to project cash flows. The estimation of the WACC is based on a country-specific 10-year swap rate for RUB debt, with the addition of a credit spread estimated using an individual credit assessment of the Russian business. The equity risk premium and beta have also been estimated for the Russian business on a stand-alone basis.

In addition to estimation of the discount rate being performed on a stand-alone basis, the significant discount rate increase compared with what was applied in previous years for impairment testing of Russian assets can be attributed to the increase in equity risk premium. The increase in equity risk premium is linked to the increased uncertainty surrounding the Russian economy in general and the factors surrounding the successful completion of the divestment in particular. This includes, but is not limited to, any regulatory requirements on or limitations of any sales price that can be obtained in a sales transaction.

International financial institutions have updated Russia's risk status to the highest level, reflecting their belief that the political situation in the country has significantly increased the risks for foreign investors, which is why the increased discount rate is considered appropriate.

Growth rates

The growth rates in the budgets and forecasts for 2023-2025 are based on expected market developments in Russia, taking the war and the general macroeconomic environment into consideration. The terminal period growth rate is assumed to be slightly lower than the Central Bank of Russia's long-term inflation target of around 4%.

Profit margins in the forecast period are assumed to be flat and at levels realised in previous years with no significant restructurings included, resulting in steady year-on-year growth in free cash flow.

Foreign currency exchange rate

The fair value has been recognised in local currency and translated into the Group's presentation currency (DKK) at the official exchange rate on the reporting date. This is currently considered to be the best estimate. Any adjustment to the consolidated value of the Russian business due to changes in the exchange rate has been recognised in other comprehensive income and included in the currency translation reserve within equity.

It is currently not known whether the disposal will be settled in RUB or another currency. The RUB exchange rate is subject to significant uncertainty, and there is a risk that a disposal settled in e.g. EUR or USD would be completed at an exchange rate that is lower than the official RUB exchange rate. However, given the uncertainty related to the factors surrounding completion of the transaction, the valuation is maintained in RUB and the value is translated into DKK at the official exchange rate.

Fair value reassessed at 31 December 2022

The fair value of the disposal group held for sale was reassessed at 31 December 2022. The enterprise value in local currency remained largely unchanged compared with the initial valuation of 28 March. The net asset value in DKK increased during the year to DKK 7.5bn, mainly due to the appreciation of the Russian rouble (DKK/RUB 0.0983 at 31 December compared to 0.07938 at 31 March) and the improved net cash position because of the positive development in the operating result.

SECTION 5.1 (CONTINUED)

DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

Cash proceeds from the disposal
If the proceeds from the disposal are in RUB, there is a significant risk that the cash received will not be immediately available for general use in the Group because of the currency restrictions in place and the limited exchange of RUB in the financial markets.

RECYCLING EQUITY RESERVES ON COMPLETION OF THE DIVESTMENT

On completion of the divestment, the currency translation and hedging reserves within equity related to the Russian business will be reclassified from equity to the income statement and included in the net result from Russian operations held for sale.

At 31 December 2022, the accumulated currency translation reserve related to the Russian business represented a loss of around DKK 39.7bn (2021: loss of DKK 37.0bn), around half of which was recognised when the RUB depreciated significantly in December 2014 following the Russian invasion and annexation of Crimea. This figure includes the fair value of net investment hedges of DKK -24.0m (2021: DKK -24.0m); see section 4.6.

The accumulated hedging reserve related to the Russian business represented a loss of around DKK 0.6bn (2021: loss of DKK 0.5bn) and includes both active hedges and hedges for which hedge accounting is no longer applied; see section 4.8.

After reclassification of the reserves to the income statement, the amount will be recognised in retained earnings and there will be no change in total equity. The reclassification will have no effect on the Group's cash position.

SENSITIVITY ANALYSIS

A sensitivity analysis of the key assumptions in the assessment of the fair value has been performed to determine the sensitivity to changes in the key assumptions applied in the valuation.

Key assumptions
The key assumptions relevant to the assessment of the fair value are:

- Post-tax discount rate
- Terminal period growth rate
- Compounded annual growth in unadjusted free cash flow
- Foreign currency exchange rate (RUB/DKK)

Sensitivity analysis

DKK million	1%-point increase	1%-point decrease
Discount rate	~-300	~400
Terminal period growth rate	~100	~-100
Growth in free cash flow	~400	~-400
Foreign exchange rate	~100	~-100

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group classifies non-current assets and disposal groups as held for sale when management assesses that their carrying amounts will be recovered through a sale rather than continued use. Management's assessment is based on an evaluation of whether the sale is highly probable and the asset or disposal group is available for immediate sale in its current condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale must be expected to be completed within one year from the date of the classification.

On classification, management estimates the fair value. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal. Costs of disposal are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

Depending on the nature of the non-current assets and the disposal group's activity, assets and liabilities, the estimated fair value may be associated with uncertainty and possibly adjusted subsequently. Measurement of the fair value of disposal groups is categorised as level 3 in the fair value hierarchy, as measurement is not based on observable market data.

ACCOUNTING POLICIES

Assets held for sale comprise non-current assets and disposal groups held for sale. Liabilities held for sale are those directly associated with the assets that will be transferred in the transaction. Immediately before classification as held for sale, the assets or disposal groups are remeasured in accordance with the Group's accounting policies. Thereafter, they are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss is allocated first to goodwill, and then to remaining assets on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement are recognised in the income statement.

Non-current assets and disposal groups held for sale are presented separately as current lines in the statement of financial position and the main elements are specified in this section. Comparative figures are not restated.

A disposal group is presented as discontinued operations if it is a group of companies, i.e. part of a geographical area of operations that has either been disposed of or is classified as held for sale.

Discontinued operations are excluded from the results of continuing operations and presented separately as net result from discontinued operations held for sale in the income statement. Comparative figures are restated.

Cash flow from discontinued operations is presented separately as net cash flow from Russian operations held for sale in the statement of cash flows and specified in this section. Comparative figures are restated.

The disposal group/assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. Comparative figures are not restated.

Additional disclosures are provided in this section. All other sections of the financial statements include amounts for continuing operations, unless indicated otherwise.

SECTION 5.2

INVESTMENT MODEL AND RISKS

MARKET ACCESS

In the beer industry, access to local markets is highly dependent on establishing good relationships with customers in the on- and off-trade channels, national distributors, local suppliers and relevant authorities governing the beverage industry. Often, the most efficient way of establishing such relations is by acquiring a local brewer or engaging with a local partner that already has the relevant relationships.

When the Group expands its business to new geographies, it often therefore does so in collaboration with a local partner. Such a partnership can take different legal forms and impacts the consolidated financial statements accordingly.

In addition to its activities in the beer industry, the Group operates in the soft drinks industry, an industry dominated by large global brand owners. The Group is engaged in long-term contractual partnerships to produce, distribute and sell third-party soft drink brands. In addition to granting the right to produce, the brand owners usually provide recipes and/or raw materials, while the Group has the necessary production capabilities and distribution platform.

INVESTMENT MODEL

Entering into a partnership can reduce the financial exposure and mitigate the business risks associated with entering new markets or expanding the activities in an existing market. The financial exposure, however, varies depending on the structure of the partnership. Business and financial success, and the related risks, depend on the ability of the Group and the local partner to forge a strong and aligned cooperation.

In some markets, the Group enters as a non-controlling shareholder, providing a degree of financing and contributing knowledge of the beer industry. The Group thus leaves control with the partner and recognises the investment as an associate.

Other investments are structured as joint ventures, where the Group and the local partner jointly make the operational decisions and share strategic and tactical responsibility.

More commonly, the Group structures its partnerships such that it exercises management control, usually by way of majority of the voting rights. These investments are fully consolidated subsidiaries, which are just as important as other types of partnership for success in the local markets, but mean that the Group has increased financial exposure. Investments in businesses in which the Group exercises management control often involve put and/or call options or a similar structure.

IMPACT ON FINANCIAL STATEMENTS

Investments in associates are consolidated in the financial statements using the equity method. The accounting risks associated with these entities are limited to the investment made, the proportionate share of the net profit and any specific additional commitments to banks or other parties, as well as specific guarantees or loans the Group provides to the partnership.

In businesses where the Group exercises management control, the consolidated financials are impacted by full exposure to the earnings and other financial risks. From an accounting point of view, the Group treats any put options held by partners in such entities as if they had already been exercised by the partner, i.e. anticipating that the acquisition will occur. The accounting impact is that the non-controlling interests are not recognised, and no part of net profits or equity is attributed to them. Instead, the dividends received by the partner from the business are classified as financial expenses for the purpose of accounting.

Common to all partnerships is the risk of disagreement and, ultimately, dissolution. Disagreements with partners on the operational management and strategic directions of partnerships may limit our ability to manage the growth and risk profile of our business. The Group continuously seeks to promote a fair and mutually beneficial development of the partnerships, which is crucial to be successful. However, in certain partnerships the partners' pursuit of goals and priorities that are different from those of the Group might result in disagreements, affecting operational and financial performance. Different goals and priorities of this kind can become more pronounced in the period when a partner has the right to exit the partnership.

A dissolution will initially impact the accounting treatment of an investment. The accounting treatment will depend on whether the Group or its partner is exiting the business. In the long term, however, the impact on the operation of the local entity and the collaboration with customers, distributors, authorities etc. can be significant if the partner was instrumental in managing these relationships. The risk of a partnership dissolution may therefore have a negative impact on the underlying business and the financial performance recognised in the consolidated financial statements.

The Group is involved in many partnerships, one being the 67% shareholding in Carlsberg South Asia Pte Ltd. (CSAPL), Singapore, which is the parent company of the Group's activities in India (100%) and Nepal (90%). The company is jointly owned with a partner (33%). In 2022, the Group invoked its right to begin the call process, and the partner exercised its put option under the Shareholders' Agreement. A put option valuation certificate was issued on 6 February 2023 after which our partner issued a formal put notice to sell its 33% shareholding in CSAPL to the Group, cf. section 5.4. For the purpose of the consolidated financial statements, the put option is accounted for as if it had already been exercised. CSAPL and its investments in India and Nepal are therefore included in the consolidated financial statements, with no profits or equity attributed to the non-controlling shareholder. Please refer to section 3.4 for a detailed description of the dispute with the partner in CSAPL.

Partnerships in the soft drinks industry are based on long-term contractual agreements and come to an end when the contract terminates. The termination of a significant partnership with a global soft drink brand owner would have a negative impact on the Group's financial performance.

SECTION 5.3

ACQUISITIONS AND DISPOSALS

ACQUISITION OF ENTITIES

Acquisitions after the reporting date 2022

On 15 December 2022, it was announced that the Group had entered into an agreement to acquire Waterloo Brewing Ltd., Canada, for a cash consideration of approximately CAD 144m (DKK 742m). The transaction is expected to close in the first half of 2023, subject to approval by Waterloo Brewing's shareholders and the satisfaction or waiver of other customary closing conditions.

2021

In January 2021, Carlsberg acquired 100% of the German Wernesgrüner Brewery for a cash consideration of DKK 511m. The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities was completed in 2021, resulting in recognition of goodwill of DKK 267m.

DECONSOLIDATION OF ENTITIES

The local shareholder owning 10% of the shares in Gorkha Brewery, Nepal, is a related party to the Group's 33% partner in CSAPL. In addition to the ongoing disputes with our partner in CSAPL regarding India and Nepal, there is also a dispute with the local 10% shareholder in Gorkha Brewery. Contrary to its legal and contractual rights, the Group's influence on the business operations in Nepal has been restricted since 2021 through actions that hamper its right of decision-making and insight into the business. The Group therefore decided to cease full consolidation of the Nepalese business with effect from the end of 2021. We contested the actions in Nepal through the local courts. A Nepalese High Court judgment was expected in 2022 but has been postponed and is now expected in H1 2023. A favourable ruling would not immediately lead to reconsolidation of the Nepalese business, which would require demonstration of the consistent ability to exercise our rights as the majority shareholder. Until the rights as majority shareholder are de facto re-established, the Group continues not to consolidate the Nepalese business. The inability to exercise the rights of the majority shareholder in the Nepalese business has a negative impact on the value of the business. This should, in the opinion of the Group, be reflected in the valuations of the put and call options, cf. section 5.4.

CASH FLOW

Cash flow to acquire or dispose of shareholdings in associates and when gaining control of subsidiaries is included in financial investments, while the cash flow on acquisition of an additional shareholding in a subsidiary, i.e. acquiring non-controlling interests, is presented in financing activities. In 2022, the Group made a capital injection of DKK 48m in an associate.

Elements of cash consideration paid and received

DKK million	2022	2021
Consideration paid for acquisition of entities	-	-214
Consideration received for disposal of entities	-	21
Cash and cash equivalents acquired/disposed of	-	-428
Acquisition and disposal of entities, net	**-**	**-621**
Consideration paid for acquisition of associates	-	-48
Consideration paid for increase of investment in associates	-48	-
Acquisition and disposal of associates, net	**-48**	**-48**
Cash flow from acquisition of shareholdings, total	**-48**	**-669**

! ACCOUNTING ESTIMATES AND JUDGEMENTS

Assessment of control

The classification of entities where Carlsberg controls less than 100% of the voting rights is based on an assessment of the contractual and operational relationship between the parties. This includes assessing the conditions in shareholder agreements, contracts etc. Consideration is also given to the extent to which each party can govern the financial and operating policies of the entity, how the operation of the entity is designed, and which party possesses the relevant knowledge and competences to operate the entity.

Another factor relevant to this assessment is the extent to which each of the parties can direct the activities and affect the returns, for example by means of rights, reserved matters or casting votes.

Purchase price allocation procedures

For acquisitions of entities, the assets, liabilities and contingent liabilities of the acquiree are recognised using the acquisition method. The most significant assets acquired generally comprise goodwill, brands, property, plant and equipment, receivables and inventories.

No active market exists for the majority of the acquired assets and liabilities, in particular in respect of acquired intangible assets. Accordingly, management makes estimates of the fair value of acquired assets, liabilities and contingent liabilities. Depending on the nature of the item, the determined fair value of an item may be associated with uncertainty and possibly adjusted subsequently.

The unallocated purchase price (positive amount) is recognised in the statement of financial position as goodwill and allocated to the Group's cash-generating units.

Brands

The value of the brands acquired and their expected useful life are assessed based on the individual brand's market position, expected long-term developments in the relevant markets and profitability.

The estimated value includes all future cash flows associated with the brand, including the related value of customer relations etc.

Management determines the useful life based on the brand's relative local, regional and global market strength, market share, and the current and planned marketing efforts that are helping to maintain and increase its value. When the value of a well-established brand 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 brand is determined to be indefinite.

Brands are measured using the relief from royalty method, under which the expected future cash flows are based on key assumptions about expected useful life, royalty rate, growth rate and the theoretical tax effect. A post-tax discount rate is used that reflects the risk-free interest rate with the addition of a risk premium associated with the particular brand. The model and assumptions applied are consistent with those used in impairment testing, and are described in further detail in section 2.2.3.

Customer agreements and portfolios

The value of acquired customer agreements and customer portfolios is assessed based on the local market and trading conditions. For most entities, there is a close relationship between brands and sales. Consumer demand for beer and other beverages drives sales, and therefore the value of a brand is closely linked to consumer demand, while there is no separate value attached to customers (shops, bars etc.), as their choice of products is driven by consumer demand. The relationship between brands and customers is carefully considered so that brands and

SECTION 5.3 (CONTINUED)

ACQUISITIONS AND DISPOSALS

customer agreements are not both recognised on the basis of the same underlying cash flows.

Property, plant and equipment

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

Property, plant and equipment for which there is no reliable evidence of the fair value in the market (in particular breweries, including production equipment) are valued using the depreciated replacement method.

This method is based on the replacement cost of a similar asset with similar functionality and capacity. The calculated replacement cost 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.

Completed purchase price allocations

Management believes that the purchase prices for the Wernesgrüner Brewery activities, which are accounted for in the consolidated financial statements, reflect the best estimate of the total fair value of these businesses and the proportionate value of identified assets, liabilities and contingent liabilities of the non-controlling interests, and accordingly the allocation of goodwill to controlling interests, but not to non-controlling interests.

The purchase price allocations of the identified assets, liabilities and contingent liabilities were completed within 12 months of the acquisitions. The main revaluation adjustments related to brands, property, plant and equipment, and deferred tax liabilities, which in turn mainly related to brands.

Goodwill

Goodwill was allocated to the Western Europe CGU in line with the allocation of the Group's existing German business. The goodwill is not deductible for tax purposes.

Wernesgrüner Brewery

Brands

The value of brands was estimated using the Group's principles described above. A brand with a fair value of DKK 113m was recognised and classified as an intangible asset with an indefinite useful life.

Property, plant and equipment

The fair value and expected useful life of the brewery equipment and related buildings of the acquired brewery were determined with assistance from external engineering experts in the brewery industry and resulted in a positive revaluation adjustment of DKK 53m.

Financial impact of acquisition

Revenue and net profit included in the consolidated financial statements since the acquisition at 1 January 2021 were DKK 156m and DKK 7m respectively.

ACCOUNTING POLICIES

Acquisitions

The acquisition date is the date when the Group effectively obtains control of an acquired subsidiary or significant influence over an associate.

The cost of a business combination comprises the fair value of the consideration agreed upon, including the fair value of any consideration contingent on future events.

Goodwill and fair value adjustments in connection with the acquisition of an entity 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.

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 identifiable assets, liabilities and contingent liabilities on initial recognition at the acquisition date are subsequently 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 if the amount is material.

Changes in estimates of contingent purchase considerations are recognised in the income statement under special items, unless they qualify for recognition directly in equity.

Disposals and loss of control

Gains or losses on the disposal or liquidation of subsidiaries and associates are recognised as the difference between the sales price and the carrying amount of net assets (including goodwill) at the date of disposal or liquidation, and net of foreign exchange adjustments recognised in other comprehensive income, and costs to sell or liquidation expenses.

The shareholding retained after the loss of control of subsidiaries is remeasured at fair value and accounted for as the fair value on initial recognition of a financial asset or the cost of an investment in an associate. Gains or losses on the loss of control of subsidiaries are recognised as the difference between the fair value of the retained shareholding and the carrying amount of the derecognised net assets (including goodwill) at the date of loss of control, and net of foreign exchange adjustments recognised in other comprehensive income.

SECTION 5.4

CONTINGENT CONSIDERATIONS

Contingent considerations relate to options held by non-controlling interests in subsidiaries to sell their shares to the Group and to deferred payments in the acquisition of entities contingent on market conditions.

At the end of the reporting period, the contingent considerations related to put options on the shares in CSAPL, Brewery Alivaria, Belarus, and in a minor craft brewery in Western Europe.

In accordance with the Group's accounting policy, shares subject to put options are consolidated as if the shares had already been acquired. The ownership percentage at which these subsidiaries are consolidated therefore differs from the legal ownership interest retained by the Group. Both the legal and the consolidated ownership are stated in section 10.

The carrying amount of contingent considerations is determined in accordance with the terms and conditions agreed with the holders of the options.

Of the contingent considerations, DKK 0.3bn (2021: DKK 0.4bn) is expected to fall due after more than 12 months.

PUT OPTION FOR SHARES IN CARLSBERG SOUTH ASIA PTE LTD (CSAPL)

A liability award was issued by the arbitration tribunal in May 2022. The arbitration tribunal awarded Carlsberg the right to call our partner CSAPL Holdings Pte Ltd's (CSAPLH) shares in CSAPL. Carlsberg immediately invoked its right to begin the call option valuation process, and CSAPLH subsequently exercised its right under the Shareholders' Agreement to begin the put option valuation process.

The put option price has been determined as the simple average of two valuations assessed by two independent external valuers, which are internationally recognised accounting firms, one appointed by each shareholder. The put option valuation was released by the valuers on 6 February 2023, stating a value for CSAPLH's shares in CSAPL of USD 744m (DKK 5,188m). CSAPLH has on 6 February, issued a formal put notice to sell its 33% shareholding in CSAPL to the Group at the put option valuation amount. The put option liability recognised in the consolidated financial statements has been adjusted to reflect the put option valuation amount received from the valuers as the acquisition of the shares may be completed at that price. A transaction could potentially be completed in 2023, subject to the clarification of any disputes raised by the shareholders and timelines for any regulatory approvals. CSAPLH has previously asked for an amount for its 33% shareholding in CSAPL that the Group considered to be unreasonably high and not to reflect the fair value of the shareholding. From the put option valuation received, it is the Group's assessment that key assumptions, which the Group considers to be unreasonable, may have been applied in the valuation performed by CSAPLH's appointed valuator. The put option valuation can be disputed by the shareholders if the valuations are conducted in breach of the Shareholders' Agreement, including, but not limited to, circumstances where the valuations are tainted by fraud or manifest error. The Group will work with its external advisors to evaluate its position and assess whether CSAPLH has committed additional breaches of the Shareholders' Agreement, which would justify further legal steps against CSAPLH.

The fair value of the put option increased by DKK 1.4bn in 2022.

The Group previously called in a loan made to CSAPLH, the loan having become due and payable in full. In January 2022, the Singapore court of appeal finally confirmed that the loan with interest was repayable to Carlsberg in full, totalling DKK 338m. The loan had not been repaid as of 31 December 2022.

Contingent considerations

DKK million	2022	2021
Contingent considerations at 1 January	4,254	5,290
Additions	-	16
Payments	-	-247
Transfer to disposal group held for sale	-13	-
Fair value adjustments	1,336	-805
Contingent considerations at 31 December	**5,577**	**4,254**

ACCOUNTING ESTIMATES AND JUDGEMENTS

The fair value of contingent considerations linked to put options is calculated on the basis of level 3 input consisting of non-observable data, such as entity-specific discount rates and industry-specific expectations of price developments, and generally accepted valuation methods, including discounted cash flows and multiples.

Estimates are based on updated information since initial recognition of the contingent consideration, including new budgets and sales forecasts, discount rates etc. The assumptions applied are in line with those used in the impairment tests as described in section 2.2 but reflecting the different models and valuation techniques required. The fair values of other contingent considerations are measured at the expected future price of selected shares.

ACCOUNTING POLICIES

On acquisition of non-controlling interests, i.e. subsequent to the Group obtaining control, acquired net assets are not measured at fair value. The difference between the cost and the non-controlling interests' share of the total carrying amount, including goodwill, is transferred from the non-controlling interests' share of equity to equity attributable to the shareholder in Carlsberg Breweries A/S. The amount deducted cannot exceed the non-controlling interests' share of equity immediately before the transaction.

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

Fair value adjustments of put options granted to non-controlling interests are recognised directly in the statement of changes in equity.

Other contingent considerations (earn-outs) that are not linked to a future transfer of additional shareholdings are measured in accordance with the terms of the contract with the seller. The revaluation of such contingent considerations is recognised in special items.

SECTION 5.5

ASSOCIATES

Investments in associates include the businesses in Portugal (60%), Myanmar (61%) and four associates in China (50%). The total investment in these associates amounted to DKK 3,579m at 31 December 2022 (2021: DKK 3,404m).

The Group's ownership of Super Bock, Portugal, is 60%. Nevertheless, Super Bock remains an associate of the Group due to the ownership structure. Please refer to section 10 for further details.

In 2021, disputes with the local non-controlling shareholder prevented the Group from exercising its rights as a controlling shareholder in Gorkha Brewery, Nepal. The Group decided to cease full consolidation of the company from 31 December 2021 and it was therefore reclassified as an associate and recognised at fair value, DKK 1,188m, cf. section 5.3.

Despite the 61% legal ownership share in Myanmar Carlsberg, the entity is classified as an associate due to the structure of the agreement with the partner and the environment in the country.

In 2021, disputes with the partner regarding the management of Tibet Lhasa Brewery meant that the Group lost its significant influence in the company. The investment was therefore reclassified from associates to other financial investments. The disputes resulted in significant disruptions to the operation of the company, which negatively impacted the financial performance. The investment was therefore written down to its recoverable amount, cf. section 2.2.

For associates in which the Group holds an ownership interest of less than 20% and participates in the management of the associate the Group is considered to be exercising significant influence. None of the associates are material to the Group.

Fair value of investment in listed associates

DKK million	2022	2021
The Lion Brewery Ceylon, Sri Lanka	214	355

ACCOUNTING POLICIES

Investments in associates are recognised according to the equity method, which entails measurement at cost and adjustment for the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. The share of the result must be calculated in accordance with the Group's accounting policies. The proportionate share of unrealised intra-group profits and losses is eliminated. 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.

Key figures for associates

DKK million	Carlsberg Breweries Group share			
2022	Profit after tax	Other comprehensive income	Total comprehensive income	Investments in associates
Total	**675**	**-**	**675**	**4,796**
2021				
Total	**259**	**10**	**269**	**4,671**

SECTION 6

TAX

17.5%

TAX RATE

Tax rate is down from 20.4% in 2021, mainly as a result of adjustments to tax for prior years.

1.6bn

Deferred tax liability transferred to disposal group held for sale (DKK).

SECTION 6.1

INCOME TAX

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

The Group's total tax cost was DKK -385m (2021: DKK -79m) lower than the Group's nominal weighted tax expense. Compared with the nominal weighted tax expense, the total tax expense was negatively impacted by the effect on deferred tax assets of changes in tax rates and non-deductible expenses (particularly marketing expenses and intercompany charges) and positively impacted by prior-year adjustments and tax incentives, resulting in an effective tax rate of 17.5% (2021: 20.4%).

The negative impact from special items comprised primarily non-deductible impairments. Excluding special items and tax thereon, the effective tax rate would be 17.6% (2021: 22.2%).

It is not possible to deduct all interest and fair value adjustments due to various interest deductibility restriction rules. Therefore, tax on such adjustments fluctuates from year to year.

ACCOUNTING POLICIES

Income tax 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, while the tax expense relating to items recognised in other comprehensive income is recognised in the statement of comprehensive income.

If the Group obtains a tax deduction on computation of the taxable income in Denmark or in foreign jurisdictions as a result of share-based payment programmes, this tax effect of the programmes is recognised in tax on profit/loss for the year.

Reconciliation of the effective tax rate for the year

		2022		2021
	%	DKK million	%	DKK million
Nominal weighted tax rate	21.2	2,229	21.2	2,196
Change in tax rate	2.0	206	-0.1	-14
Adjustments to tax for prior years	-2.7	-288	-0.7	-70
Non-capitalised tax assets and liabilities	-1.7	-182	-0.5	-57
Non-taxable income	-0.5	-56	-0.4	-42
Non-deductible expenses	2.0	215	2.9	297
Tax incentives etc.	-2.2	-229	-	1
Special items	-0.1	-5	-2.3	-239
Withholding taxes	0.8	83	1.3	131
Other, including tax in associates	-1.2	-129	-0.8	-86
Effective tax rate for the year	**17.5**	**1,844**	**20.4**	**2,117**
Effective tax rate for the year, excluding the effect of non-taxable and non-deductible transactions in special items	17.6	-	22.2	

SECTION 6.1 (CONTINUED)

INCOME TAX

Income tax expenses

DKK million	2022 Income statement	2022 Other comprehensive income	2022 Total comprehensive income	2021 Income statement	2021 Other comprehensive income	2021 Total comprehensive income
Tax for the year can be specified as follows						
Current tax	2,163	-25	2,138	2,399	-83	2,316
Change in deferred tax and non-current tax payables during the year	-237	-	-237	-198	-20	-218
Change in deferred tax as a result of change in tax rate	206	-	206	-14	-	-14
Adjustments to tax for prior years	-288	-	-288	-70	-	-70
Total	**1,844**	**-25**	**1,819**	**2,117**	**-103**	**2,014**

Tax recognised in other comprehensive income

DKK million	2022 Recognised item before tax	2022 Tax income / expense	2022 After tax	2021 Recognised item before tax	2021 Tax income / expense	2021 After tax
Foreign exchange adjustments	3,926	-	3,926	-3,307	-	-3,307
Hedging instruments	759	-100	659	323	-83	240
Retirement benefit obligation	-594	75	-519	-577	-20	-597
Share of other comprehensive income in associates	-	-	-	-10	-	-10
Total	**4,091**	**-25**	**4,066**	**-3,571**	**-103**	**-3,674**

SECTION 6.2

TAX ASSETS AND LIABILITIES

Of the total deferred tax assets recognised, DKK 269m (2021: DKK 26m) relates to tax losses carried forward, the utilisation of which depends on future positive taxable income exceeding the realised deferred tax liabilities.It is management's opinion that these tax losses carried forward can be utilised within a foreseeable future.

Tax assets not recognised of DKK 1,014m (2021: DKK 1,334m) primarily relates to tax losses that are not expected to be utilised in a foreseeable future. Of these, tax losses that will not expire amounted to DKK 823m (2021: DKK 1,042m). Tax losses of DKK 326m (2021: DKK 331m) can only be carried forward for a limited number of years.

Deferred tax of DKK 23m (2021: DKK 39m) has been recognised in respect of future dividend distributions.

Distribution of reserves for other subsidiaries will not trigger a significant tax liability based on current tax legislation.

Changes in deferred tax and non-current tax payables for the year amounted to DKK 237m (2021: DKK 198m), in addition to Russian tax liabilities being reclassified to disposal group held for sale.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group recognises deferred tax assets, including the expected tax value of tax loss carried forward, if management assesses it can be offset against positive taxable income in the foreseeable future. This assessment is made annually and based on budgets and business plans for the coming years, including planned commercial initiatives under our control.

Carlsberg operates in a large number of tax jurisdictions where tax legislation is highly complex and subject to interpretation. Management makes assessments on uncertain tax positions to ensure recognition and measurement of tax assets and liabilities.

ACCOUNTING POLICIES

Current tax payable and receivable are 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 respectively.

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 that 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 the planned use of the asset or settlement of the liability. Deferred tax is recognised on expected dividend payments from subsidiaries and associates in countries levying withholding tax on distributions.

Deferred tax assets related to tax loss carried forward are recognised under other non-current assets at the expected value of their utilisation, or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the entity has a legally enforceable right to offset current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets or to realise the assets and settle the liabilities simultaneously. Deferred tax assets are recognised only to the extent that it is probable that the assets will be utilised.

Deferred tax is measured according to the tax rules at the reporting date and at the tax rates applicable when the deferred tax is expected to materialise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement. Changes to deferred tax on items recognised in other comprehensive income are, however, recognised in other comprehensive income.

Changes to non-current tax assets and liabilities

DKK million	2022	2021
Tax assets and liabilities at 1 January, net	3,758	3,944
Tax assets and liabilities, net reclassified to disposal group held for sale	-1,645	-
Adjustments to prior years	309	-22
Acquisition of entities	-	172
Recognised in other comprehensive income	-	-20
Recognised in the income statement, net continuing operations	-237	-198
Recognised in the income statement, net discontinuing operations	-	42
Change in tax rate	206	-14
Foreign exchange adjustments	73	-146
Tax assets and liabilities at 31 December, net	**2,464**	**3,758**
Recognised as follows		
Tax liabilities	4,168	5,663
Tax assets	-1,704	-1,905
Tax assets and liabilities at 31 December, net	**2,464**	**3,758**

Specification of deferred tax

	Deferred tax assets		Deferred tax liabilities	
DKK million	2022	2021	2022	2021
Intangible assets	253	519	1,296	2,790
Property, plant and equipment	138	218	1,021	1,628
Current assets	1,000	453	46	19
Provisions and retirement benefit obligations	501	2,382	2,509	2,936
Fair value adjustments	39	34	17	17
Tax losses	269	26	-	-
Other	250	-	25	-
Total before offset	**2,450**	**3,632**	**4,914**	**7,390**
Offset	-746	-1,727	-746	-1,727
Deferred tax assets and liabilities at 31 December	**1,704**	**1,905**	**4,168**	**5,663**
Expected to be used as follows				
Within one year	890	1,097	515	814
After more than one year	814	808	3,653	4,849
Total	**1,704**	**1,905**	**4,168**	**5,663**

SECTION 7

STAFF COSTS AND REMUNERATION

Russian operations held for sale

More than 8,000 employees will leave the Group when the divestment completes as expected in 2023.

Pensions

Defined benefit obligations were affected by higher discount rates across markets.

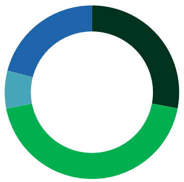
EMPLOYEES BY SEGMENT (%)

2022 (2021)

- Western Europe 26% (26%)
- Asia 36% (36%)
- Central & Eastern Europe 15% (15%)
- Russian operations held for sale 21% (21%)
- Other 2% (2%)

EMPLOYEES BY FUNCTION (%)

2022 (2021)



- Production 28% (28%)
- Sales & Distribution 44% (43%)
- Administration 7% (8%)
- Russian operations held for sale 21% (21%)

SECTION 7.1

STAFF COSTS

Staff costs increased in 2022, impacted by currencies and merit increases.

Staff costs

DKK million	2022	2021
Salaries and other remuneration	9,367	8,448
Severance payments	57	81
Social security costs	1,452	1,286
Retirement benefit costs – defined contribution plans	385	329
Retirement benefit costs – defined benefit plans	181	188
Share-based payments	107	68
Other employee benefits	113	92
Total	**11,662**	**10,492**
Of which:		
Continuing operations	10,328	9,488
Discontinued operations	1,334	1,004
Total	**11,662**	**10,492**
Staff costs are included in the following line items in the income statement		
Cost of sales	2,916	2,651
Sales and distribution expenses	5,150	4,859
Administrative expenses	2,130	1,859
Other operating activities, net	32	59
Financial expenses (pensions)	38	39
Special items (restructurings)	62	21
Net result from Russian operations held for sale	1,334	1,004
Total	**11,662**	**10,492**
Average number of employees, continuing operations	30,745	30,961
Average number of employees, discontinued operations	8,072	8,317
Average number of employees	**38,817**	**39,278**

SECTION 7.2

REMUNERATION

The remuneration of the Supervisory Board, the executive directors and key management personnel is described in detail in the Remuneration Report for Carlsberg Group.

The remuneration of key management personnel increased in 2022, primarily because of the impact of better performance on the KPIs measured in long-term incentive programmes and changes to the composition of the Executive Committee.

The Supervisory Board of Carlsberg Breweries A/S is not remunerated.

All elements except for share-based payments are classified as short-term employee benefits. Share-based payments are classified as long-term employee benefits.

ACCOUNTING POLICIES

Staff costs are recognised in the financial year in which the employee renders the related service.

The cost of share-based payments, which is expensed over the vesting period of the programme according to the service conditions, is recognised in staff costs and provisions or equity, depending on how the programme is settled with the employees.

Key management personnel comprise the Executive Committee, excluding the executive directors. Other management personnel included in the share-based payment schemes comprise vice presidents and other key employees in central functions as well as the management of significant subsidiaries.

Remuneration

	Executive directors[1]		Key management personnel	
DKK million	2022	2021[2]	2022	2021
Fixed salary	21.0	20.7	28.8	29.1
Cash bonus	19.4	20.7	28.7	30.1
Other benefits	1.1	1.1	7.9	6.0
Severance payments	-	-	7.5	3.4
Remuneration settled in cash	**41.5**	**42.5**	**72.9**	**68.6**
Non-monetary benefits	0.4	0.4	0.2	3.1
Share-based payments	28.0	31.1	9.5	3.5
Remuneration, non-monetary and share-based	**28.4**	**31.5**	**9.7**	**6.6**
Total cash and non-cash	**69.9**	**74.0**	**82.6**	**75.2**

[1] Executive directors consist of Cees 't Hart and Heine Dalsgaard. Heine Dalsgaard resigned as CFO on 31 December 2022. [2] In 2021 the remuneration of Heine Dalsgaard was recognised in Carlsberg A/S and was therefore not included in the staff cost disclosed in section 7.1.

SECTION 7.3

SHARE-BASED PAYMENTS

The Group has set up share-based incentive programmes to attract, retain and motivate the Group's executive directors and other levels of management personnel, and to align their interests with those of the shareholders. There is no share-based remuneration of the Supervisory Board.

The Group has two types of share-based payment: share options and performance shares. Share options entitle the holder to purchase class B shares in Carlsberg A/S at a predetermined price after completing three years of service. Share options are exercisable for five years.

Entitlement to performance shares also requires fulfilment of service in the vesting period (3 years) but does not have any exercise price. Instead, the shares are transferred to the recipients based on achievement of the KPIs attached to the shares.

PERFORMANCE SHARES

The number of performance shares granted is the maximum number of performance shares that can vest. The number of shares outstanding at the end of the period is the number expected to vest, based on the extent to which the vesting conditions are expected to be met. The number of shares expected to vest is revised on a regular basis.

In 2022, 159 employees (2021: 177 employees) across the Group were awarded performance shares.

Vesting is subject to achievement of four KPIs: total shareholder return, adjusted EPS growth, organic revenue growth and growth in ROIC. The average share price at vesting was DKK 1,084 (2021: DKK 989). The average contractual life at the end of 2022 was 1.2 years (2021: 1.2 years).

SECTION 7.3 (CONTINUED)

SHARE-BASED PAYMENTS

Share options

No share options have been granted since 2016. All outstanding options at 1 January were exercised during the year. The average share price at exercise was DKK 1,063.

Share option disclosures

DKK million	2022	2021
Fair value at 31 December	-	70

ACCOUNTING ESTIMATES AND JUDGEMENTS

The volatility of performance shares is based on the historical volatility of the price of Carlsberg A/S' class B shares over the previous three years. For share options, the volatility is based on similar data over the previous eight years.

The share price and the exercise price of share options are calculated as the average price of Carlsberg A/S' class B shares on Nasdaq Copenhagen during the first five trading days after publication of Carlsberg A/S' financial statements.

The risk-free interest rate is based on Danish government bonds of the relevant maturity. The expected life is based on exercise at the end of the exercise period.

ACCOUNTING POLICIES

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

On initial recognition of performance shares, an estimate is made of the number of awards expected to vest and subsequently revised for any changes. Accordingly, recognition is based on the number of awards that ultimately vest.

Performance shares

	Executive directors	Key management personnel	Other management personnel	Total
31 December 2020	142,612	54,551	277,296	474,459
Granted	50,805	15,800	125,356	191,961
Forfeited/adjusted/transferred	-13,027	-13,202	-84,177	-110,406
Exercised/settled	-44,212	-17,022	-84,567	-145,801
31 December 2021	**136,178**	**40,127**	**233,908**	**410,213**
Granted	33,753	20,071	108,813	162,637
Forfeited/adjusted/transferred	-7,263	-1,028	-16,580	-24,871
Exercised/settled	-45,999	-11,743	-83,298	-141,040
31 December 2022	**116,669**	**47,427**	**242,843**	**406,939**

Key information

	Performance shares	
	2022	2021
Assumptions		
Expected volatility	24.0%	23.3%/23.7%
Risk-free interest rate	0.0%	0.0%
Expected dividend yield	0.0/2.4%	0.0/2.2%
Expected life, years	3.0	3.0
Fair value at measurement date	DKK 404-987	DKK 512-961

Performance share disclosures

DKK million	2022	2021
Fair value at grant date	87	107
Cost of shares granted in the year	29	31
Total cost of performance shares	101	68
Cost not yet recognised	154	139
Fair value at 31 December	297	422

Share options

	Exercise price			Number
	Fixed, weighted average	Executive directors	Other management personnel	Total
31 December 2020	518	114,984	-	114,984
31 December 2021	**518**	**114,984**	**-**	**114,984**
Exercised	518	-114,984	-	-114,984
31 December 2022	**-**	**-**	**-**	**-**

SECTION 7.4

RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS

A number of employees are covered by retirement benefit plans. The nature of the plans varies depending on labour market 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.

DEFINED CONTRIBUTION PLANS

A defined contribution plan is a post-employment benefit plan under which the Group pays contributions to a separate independent company. The Group's legal or constructive obligation is limited to the contributions.

In 2022, 68% (2021: 64%) of the Group's retirement benefit costs related to defined contribution plans. The expense recognised in relation to these contributions was DKK 385m (2021: DKK 329m).

DEFINED BENEFIT PLANS

A defined benefit plan guarantees employees a certain level of pension benefits for life. The pension is based on seniority and salary at the time of retirement. The Group assumes the risk associated with future developments in interest rates, inflation, mortality and disability etc.

The most significant plans are in the UK and Switzerland, representing 42% and 45% respectively (2021: 51% and 38%), while the eurozone countries represented 5% (2021: 5%) of the gross obligation at 31 December 2022.

The majority of the obligations are funded, with assets placed in independent pension funds, mainly in Switzerland and the UK. Most of the plan assets are based on a quoted market price. In some countries, primarily Germany, Sweden and China, the obligation is unfunded. The retirement benefit obligations for these unfunded plans amounted to DKK 1,148m (2021: DKK 1,538m) or 12% (2021: 11%) of the gross obligation.

In 2022, the Group's obligation, net, on defined benefit plans decreased by DKK 794m compared with 2021. The change was primarily driven by changes in the actuarial assumptions in the UK, Sweden and Germany, partly offset by the effect of the asset ceiling in Switzerland, DKK 569m.

Obligation, net

			2022			2021
DKK million	Present value of obligation	Fair value of plan assets	Obligation, net	Present value of obligation	Fair value of plan assets	Obligation, net
Obligation at 1 January	**13,825**	**11,506**	**2,319**	**13,557**	**10,654**	**2,903**
Recognised in the income statement[1]						
Current service cost	192	-	192	183	-	183
Past service cost	-11	-	-11	5	-	5
defined benefit obligation (asset)	158	120	38	138	99	39
Total	**339**	**120**	**219**	**326**	**99**	**227**
Remeasurements						
Gain/loss from changes in demographic assumptions	-97	-	-97	-28	-	-28
Gain/loss from changes in financial assumptions	-3,823	-2,757	-1,066	-114	564	-678
Asset ceiling	-	-569	569	-	-129	129
Total	**-3,920**	**-3,326**	**-594**	**-142**	**435**	**-577**
Other changes						
Contributions to plans	-	242	-242	-	253	-253
Benefits paid	-758	-681	-77	-681	-596	-85
Acquisition and disposal of entities, net	-	-	-	-5	-	-5
Transferred to disposal group held-for-sale	-6	-	-6	-	-	-
Foreign exchange adjustments etc.	15	109	-94	770	661	109
Total	**-749**	**-330**	**-419**	**84**	**318**	**-234**
Obligation at 31 December	**9,495**	**7,970**	**1,525**	**13,825**	**11,506**	**2,319**

[1] The total return on plan assets for the year amounted to DKK -2,637m (2021: DKK 663m).

SECTION 7.4 (CONTINUED)

RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS

The Group has a triennial valuation process to agree on any future funding arrangements. The most recent one was completed in 2020. The Group expects to contribute DKK 109m (2022: DKK 80m) to the plan assets in 2023, which is in line with the agreed funding arrangement, under which the Group will contribute DKK 402m up to 2026. Plan assets do not include shares in the Group or properties used by Group companies.

The actuarial gain and foreign exchange adjustment recognised in other comprehensive income amounted to DKK 551m (2021: DKK 420m), comprising a foreign exchange adjustment of DKK -43m and a net actuarial gain of DKK 594m.

The accumulated actuarial loss and foreign exchange adjustment recognised at 31 December 2022 was DKK 2,249 (2021: DKK 2,800m), with actuarial net losses of DKK 2,493 (2021: DKK 3,087m).

Assumptions applied

In 2022, the discount rate used for the defined benefit plans in Western Europe was determined by reference to market yields on corporate bonds. In the Asian countries, where no deep market in high-quality corporate bonds exists, the discount rate was determined by reference to market yields on government bonds.

The mortality tables used in Carlsberg UK are S3PMA/S3PFA_Middle tables for post-retirement, while the Swiss entities use BVG 2020 for valuation of their retirement benefit obligations.

Sensitivity analysis

The sensitivity analysis is based on a change in one of the assumptions, while all other assumptions remain constant. This is highly unlikely, however, as a change in one assumption would probably affect other assumptions as well. When calculating the obligation on the basis of a changed assumption, the same method has been applied as when calculating the defined benefit obligation.

Expected maturity and duration

Defined benefit obligations are primarily expected to mature after five years. The expected duration of the obligations at year-end 2022 was 12 years. The duration is calculated using a weighted average of the duration divided by the obligation.

Breakdown of plan assets

	2022		2021	
	DKK million	%	DKK million	%
Shares	970	12	1,345	12
Bonds and other securities	4,685	59	7,485	65
Real estate	2,122	27	2,088	18
Cash and cash equivalents	193	2	588	5
Total	**7,970**	**100**	**11,506**	**100**

Assumptions applied

2022	CHF	UK	EUR	Other	Weighted average
Discount rate	2.3%	5.0%	1.5 - 3.8%	3.9%	3.7%
Growth in wages and salaries	1.2%	3.6%	0.2 - 4.5%	2.6%	2.5%
2021					
Discount rate	0.3%	1.8%	0.3 - 0.9%	2.2%	1.2%
Growth in wages and salaries	1.0%	2.5%	0.2 - 2.8%	2.6%	1.9%

Sensitivity analysis

	2022		2021	
DKK million	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	-541	597	-1,097	1,251
Growth in wages and salaries	23	-19	81	-73
	+1 year	-1 year	+1 year	-1 year
Mortality	265	-282	522	-520

Maturity of retirement benefit obligations

DKK million	< 1 year	1-5 years	> 5 years	Total
2022	581	2,554	6,360	9,495
2021	727	2,908	10,190	13,825

SECTION 7.4 (CONTINUED)

RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS

ACCOUNTING ESTIMATES AND JUDGEMENTS

The value of the Group's defined benefit plans is based on valuations from external actuaries. The valuation is based on a number of actuarial assumptions, including discount rates, expected growth in wages and salaries, mortality and retirement benefits.

The present value of the net obligation is calculated by using the projected unit credit method and discounting the defined benefit plan by a discount rate for each country. The discount rate is determined by reference to market yields on high-quality corporate bonds. Where high-quality corporate bonds are not available, the market yields on government bonds are used instead.

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

ACCOUNTING POLICIES

Contributions paid to a **defined contribution plan** are recognised in the income statement in the period during which services are rendered by employees. Any contributions outstanding are recognised in the statement of financial position as other liabilities.

The Group's net obligation recognised in the statement of financial position in respect of **defined benefit plans** is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets calculated by a qualified actuary.

The present value is determined separately for each plan by discounting the estimated future benefits that employees have earned in return for their service in the current and prior years.

The costs of a defined benefit plan are recognised in the income statement and include service costs, net interest based on actuarial estimates and financial expectations.

Service costs comprise **current service cost and past service cost. Current service cost** is the increase in the present value of the defined benefit obligation resulting from employee services in the current period. **Past service cost** is the change in the present value of the obligation regarding employee services in prior years that arises from a plan amendment or a curtailment. Past service costs are recognised immediately, provided employees have already earned the changed benefits.

Realised gains and losses on curtailment or settlement are recognised under staff costs.

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

Differences between the development in retirement benefit assets and liabilities and realised amounts at year-end are designated as actuarial gains or losses and recognised in other comprehensive income. As they will never be reclassified to the income statement, they are included in retained earnings.

If a retirement benefit plan constitutes a net asset, the asset is recognised only if it offsets future refunds from the plan or will lead to reduced future payments to the plan.

Realised gains and losses on the adjustment of retirement benefit obligations as a result of termination of a significant number of positions in connection with restructurings are recognised under special items.

SECTION 8

OTHER DISCLOSURE REQUIREMENTS

SECTION 8.1

FEES TO AUDITORS

Fees to auditors appointed by the Annual General Meeting

DKK million	2022	2021
PwC, including network firms		
Statutory audit	25	23
Assurance engagements	1	1
Tax advisory	8	2
Other services	1	2
Total	**35**	**28**

Fees for services other than the statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 1m (2021: DKK 1m). This includes other assurance opinions and agreed-upon procedures as well as accounting advice.

SECTION 8.2

RELATED PARTIES

RELATED PARTIES EXERCISING CONTROL

Carlsberg A/S, J.C. Jacobsens Gade 1, 1799 Copenhagen V, Denmark, holds all the shares in Carlsberg Breweries A/S.

The following transactions took place with the parent and ultimate parent company (the Carlsberg Foundation) in 2022:

Carlsberg Breweries A/S paid a dividend of DKK 6,986 per share amounting to DKK 3,486m, received interest of DKK 9m, net and has a loan facility of DKK 391m at 31 December 2022 to Carlsberg A/S.

In 2022, the Carlsberg Foundation contributed an additional amount of DKK 30m to support the rebuilding of the Carlsberg Visitor Centre initiated in 2021. The purpose of the rebuild is to better showcase Carlsberg's rich history and value creation.

OTHER ACTIVITIES

Visit Carlsberg A/S, 100% owned by Carlsberg Breweries A/S, hosted and administered events at the Carlsberg Academy, which is owned by the Carlsberg Foundation, at a value of DKK 1m.

The Group's delivery of beer and soft drinks to the Carlsberg Foundation is charged at ordinary listing price minus a discount. In 2022, the deliveries amounted to DKK 0.3m (total sales of goods) (2021: DKK 0.2m).

Carlsberg Breweries A/S leases storage facilities in the researcher apartments. These lease agreements are with subsidiaries of the Foundation. The two annual lease payments amount to DKK 0.2m and the leases are on market terms.

It is estimated that the benefit for the Carlsberg Group corresponds to the value of the other activities provided to the Carlsberg Foundation, which in turn corresponds to what each party would have had to pay to have the same deliverables provided by external parties.

OTHER RELATED PARTIES

Related parties also comprise Carlsberg Breweries A/S' Supervisory Board and Executive Board, their close family members and companies in which these persons have significant influence. During the year, there were no transactions between these parties and the Group, except for remuneration as disclosed in section 7 of the consolidated financial statements.

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

DKK million	2022	2021
Carlsberg A/S		
Other operating activities, net	-44	-50
Interest income	10	1
Dividends paid	-3,486	-3,260
Capital reduction	-4,500	-4,000
Recharge of share-based payments	-92	-136
Intangible assets	225	-
Loans	-	310
Receivables	14	13
Borrowings	391	-
Trade payables	31	-52
Associates		
Revenue	19	76
Cost of sales	-712	-817
Sales expenses	-9	-11
Interest income	27	14
Loans	277	242
Receivables	390	224
Trade payables and other liabilities	-49	-36

SECTION 8.3

EVENTS AFTER THE REPORTING PERIOD

On 6 February 2023, the valuers appointed to perform the put option valuation for the 33% shareholding in CSAPL released a put option valuation certificate stating a value of USD 744m (DKK 5,188m), cf. section 5.4. CSAPLH has on 6 February, issued a formal put notice to sell its 33% shareholding in CSAPL to the Group at the put option valuation amount.

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

SECTION 9

BASIS FOR PREPARATION

SECTION 9.1

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The consolidated financial statements cover the period 1 January to 31 December. In preparing the consolidated financial statements, management makes various accounting estimates and judgements that form the basis of presentation, recognition and measurement of the Group's assets, liabilities, income and expenses.

Other estimates and judgements made are based on historical experience and other factors that management assesses to be reliable, but that, by nature, are associated with uncertainty and unpredictability and may therefore prove incomplete or incorrect.

Areas involving significant estimates and judgements:

Receivables	Section 1
Impairment testing, useful life and residual value	Section 2
Restructurings, provisions and contingencies	Section 3
Discontinued operations and disposal group held for sale	Section 5
Acquisitions and disposals, including contingent considerations	Section 5
Tax assets and liabilities	Section 6
Defined benefit obligations	Section 7

Other

In 2022, the Group adjusted an error in the share of equity attributable to non-controlling interests. The error related to elimination of investments in subsidiaries. The adjustment reduced non-controlling interests' share of equity by DKK 1.4bn with a corresponding increase in the share of equity attributed to the shareholders in Carlsberg Breweries A/S. The adjustment was included in the opening balance of equity for 2021, and the comparative figures have been restated accordingly.

SECTION 9.2

GENERAL ACCOUNTING POLICIES

The Group's consolidated financial statements for 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and in accordance with IFRS as adopted by the EU and further requirements in the Danish Financial Statements Act.

The consolidated financial statements are presented in Danish kroner (DKK), which is the Parent Company's functional currency, and all values are rounded to the nearest DKK million, except when otherwise stated.

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

DEFINING MATERIALITY

Significant items are presented individually in the financial statements as required by IAS 1. Other items that are considered relevant to stakeholders and necessary for an understanding of the Group's business model, including research, real estate and geographical diversity, are also presented individually in the financial statements.

The consolidated financial statements are prepared as a consolidation of the financial statements of the Parent Company, Carlsberg Breweries A/S, and its subsidiaries according to the Group's accounting policies.

Subsidiaries are all the entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Entities over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of less than 50% of the voting rights or participation in the management of the company. The assessment of whether Carlsberg Breweries A/S exercises control or significant influence includes potential voting rights exercisable at the reporting date. Entities that by agreement are managed jointly with one or more other parties are considered joint ventures.

SECTION 9.2 (CONTINUED)

GENERAL ACCOUNTING POLICIES

On consolidation, intra-group income and expenses, shareholdings, balances and dividends, and realised and unrealised gains are eliminated. Unrealised gains on transactions with associates 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.

The accounting items of subsidiaries are included in full in the consolidated financial statements. Non-controlling interests' share of subsidiaries' profit/loss for the year and of equity is included in the Group's profit/loss and equity but is disclosed separately. Entities acquired or established during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Entities disposed of or discontinued are recognised in the consolidated income statement until the date of disposal or discontinuation. The comparative figures are not restated.

FOREIGN CURRENCY TRANSLATION

A functional currency is determined for each of the reporting entities in the Group. 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 as financial income or expenses.

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

On recognition of entities with a functional currency other than the presentation currency, 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 reporting date. Foreign exchange differences arising on translation of the opening balance of equity, and of the income statement on the reporting date, are recognised in other comprehensive income and attributed to a separate translation reserve in equity. Foreign exchange differences arising on the translation of the proportionate share of associates are likewise recognised in other comprehensive income.

Foreign exchange adjustment of balances with entities that are considered part of the investment in the entity is recognised in other comprehensive income. Correspondingly, foreign exchange gains and losses on the part of loans and derivative financial instruments that are designated as hedges of investments in foreign entities, and that 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.

When the gain or loss from a complete or partial disposal of an entity is recognised, the share of the cumulative exchange differences recognised in other comprehensive income is recognised in the income statement. The same approach is adopted on repayment of balances that constitute part of the net investment in the entity.

INCOME STATEMENT

The presentation of the Group's income statement is based on the internal reporting structure, as IFRS does not provide a specific disclosure requirement.

Special items are not directly attributable to ordinary operating activities and are shown separately in order to facilitate a better understanding of the Group's financial performance.

CASH FLOW

Cash flow is calculated using the indirect method and is based on operating profit before special items adjusted for depreciation, amortisation and impairment losses. Cash flow cannot be derived directly from the statement of financial position and income statement.

FINANCIAL RATIOS AND NON-IFRS FINANCIAL MEASURES

The Group uses certain additional financial measures to provide management, investors and investment analysts with additional measures to evaluate and analyse the Company's results. These non-IFRS financial measures are defined and calculated by the Group and therefore may not be comparable with other companies' measures.

The non-IFRS financial measures disclosed in the Annual Report are:

- Organic development

The Danish Finance Society does not acknowledge use of special items and states that adjustments of tax should be based on the marginal tax rate. When calculating financial measures, the Group uses operating profit before special items as well as the effective tax rate for measures adjusted for tax.

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

SECTION 9.2 (CONTINUED)

GENERAL ACCOUNTING POLICIES

Glossary and calculation of key figures and financial ratios disclosed in the Annual Report

FINANCIAL RATIOS

Gross margin	Gross profit as a percentage of revenue.
EBITDA margin[1]	Operating profit before depreciation, amortisation and impairment losses as a percentage of revenue.
Operating margin	Operating profit before special items[1] as a percentage of revenue.
Return on invested capital (ROIC)	Operating profit before special items[1] adjusted for tax as a percentage of average invested capital[2] calculated as a 12-month rolling average (MAT).
Return on invested capital excluding goodwill (ROIC excl. goodwill)	Operating profit before special items[1] adjusted for tax as a percentage of average invested capital[2] excluding goodwill calculated as a 12-month rolling average (MAT).
Effective tax rate[1]	Income tax as a percentage of profit before tax.
NIBD/EBITDA[1]	Net interest-bearing debt[3] divided by operating profit before depreciation, amortisation and impairment losses.

GLOSSARY

EBITDA[1]	Expression used for operating profit before depreciation, amortisation and impairment losses.
Leverage ratio[1]	Expression used for NIBD/EBITDA.
NCI	Abbreviation for non-controlling interests.
OCI	Abbreviation for other comprehensive income.
Off-trade	Expression used for sale of beverages for consumption off the premises (e.g. retailers).
On-trade	Expression used for sale of beverages for consumption on the premises (e.g. restaurants, hotels and bars).
Operating profit	Expression used for operating profit before special items[1].
Organic development[1]	Measure of growth excluding the impact of acquisitions, divestments and foreign exchange from year-on-year comparisons.
Volumes[1]	The Group's sale of beverages in consolidated entities and sale of the Group's products under licence agreements.

[1] This key figure, ratio or elements thereof are not defined or deviate from the definitions of the Danish Finance Society.
[2] The calculation of invested capital is specified in section 2.1.
[3] The calculation of net interest-bearing debt is specified in section 4.2.

SECTION 9.3

CHANGES IN ACCOUNTING POLICIES

CHANGED ACCOUNTING POLICIES AND CLASSIFICATION IN THE ANNUAL REPORT 2022

The Annual Report 2022 has been prepared using the same accounting policies for recognition and measurement as those applied to the consolidated financial statements for 2021, except for the following Amendments that were adopted as of 1 January 2022:

- Amendments to IFRS 3 "Business Combinations"
- Amendments to IAS 16 "Property, Plant and Equipment"
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
- Annual Improvements to IFRS Standards 2018-2020 (IFRS 1, IFRS 9, IFRS 16 and IAS 41)

These Amendments had no impact on the Group's accounting policies, as they cover areas that are not material and/or relevant for the Group or do not change the accounting policies applied in 2022.

SECTION 9.4

NEW LEGISLATION

NEW AND AMENDED IFRS STANDARDS

The following Amendments to IFRS became effective as of 1 January 2023:

- Amendment to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies"
- Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates"
- Amendments to IAS 12 "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction"
- Amendments to IFRS 17 "Insurance Contracts" and "Initial application of IFRS 17" and IFRS 9 "Comparative Information"

The implemented Amendments are not expected to have any significant impact on the financials or the Group's accounting policies, as they cover areas that are not material and/or relevant for the Group or do not change the accounting policies applied in 2022.

NEW AND AMENDED IFRS STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE EU

The following Amendments, which will become effective in future years, have been issued but not yet adopted by the EU:

- Amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date and Non-current Liabilities with Covenants"
- Amendment to IFRS 16 "Leases: Lease Liability in a Sale and Leaseback"

The amendments are not mandatory for the financial reporting for 2022. The Group expects to adopt the amendments when they become mandatory.

SECTION 10

GROUP COMPANIES

This section lists the subsidiaries and associates in the Group. Parent direct ownership shows the legal ownership held by the immediate holding company in the Group. Cross-holdings held by fully owned companies in the Group are aggregated. Consolidated ownership shows the share of the result of the entity that is attributed to the shareholders of Carlsberg Breweries A/S in the consolidated financial statements.

Western Europe	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Carlsberg Danmark A/S	Denmark			100%	100%
Carlsberg Supply Company Danmark A/S	Denmark			100%	100%
Carlsberg Sweden Holding 2 AB	Sweden			100%	100%
Carlsberg Sverige AB	Sweden			100%	100%
Carlsberg Supply Company Sverige AB	Sweden			100%	100%
Ringnes Norge AS	Norway		1	100%	100%
Ringnes AS	Norway			100%	100%
Ringnes Brygghus AS	Norway			100%	100%
Solo AS	Norway			91%	91%
Ringnes Supply Company AS	Norway			100%	100%
Ringnes Farris Eiendom AS	Norway			100%	100%
Ringnes Imsdal Eiendom AS	Norway			100%	100%
Ringnes Administrasjon Eiendom AS	Norway			100%	100%
Ringnes Gjelleråsen Eiendom AS	Norway			100%	100%
Oy Sinebrychoff Ab	Finland			100%	100%
Sinebrychoff Supply Company Oy	Finland			100%	100%
Carlsberg Deutschland Holding GmbH	Germany			100%	100%
Holzmarkt Brewing Company GmbH	Germany			100%	100%
Carlsberg Deutschland Logistik GmbH	Germany			100%	100%
Tuborg Deutschland GmbH	Germany			100%	100%
Carlsberg Deutschland GmbH	Germany		6	100%	100%
Duckstein GmbH	Germany			100%	100%

Western Europe	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Holzmarkt Beteiligungsgesellschaft mbH	Germany			100%	100%
Holsten-Brauerei AG	Germany			100%	100%
Carlsberg Supply Company Deutschland GmbH	Germany			100%	100%
Carlsberg Supply Company Polska SA	Poland			100%	100%
Carlsberg Polska Sp. z o.o.	Poland			100%	100%
Carlsberg UK Holdings Limited	UK		3	100%	100%
Carlsberg Marston's Limited	UK		1	60%	60%
Carlsberg Marston's Brewing Company Ltd.	UK			100%	60%
Marston's Beer Company Limited	UK			100%	60%
CMBC Supply Limited	UK			100%	60%
LF Brewery Holdings Limited	UK		1	100%	60%
Emeraude S.A.S.	France		7	100%	100%
Kronenbourg S.A.S.	France		1	100%	100%
Kronenbourg Supply Company S.A.S.	France			100%	100%
Kronenbourg Breweries Canada Inc.	Canada			100%	100%
Fondation Kronenbourg	France			100%	100%
S.A.S. Onyx	France			100%	100%
Feldschlösschen Getränke Holding AG	Switzerland		3	100%	100%
Feldschlösschen Getränke AG	Switzerland			100%	100%
Schlossgarten Gastronomie AG	Switzerland			100%	100%
SB Swiss Beverage AG	Switzerland			100%	100%

Western Europe	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Feldschlösschen Supply Company AG	Switzerland			100%	100%
Carlsberg Supply Company AG	Switzerland			100%	100%
Nya Carnegiebryggeriet AB	Sweden			100%	100%
E.C. Dahls Bryggeri AS	Norway			100%	100%
Monster the Cat GmbH	Switzerland			100%	100%
Grimbergen Abbey Brewery	Belgium			100%	100%
Zatecky Pivovar spol. S.r.o.	Czechia			100%	100%

Asia	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Carlsberg Supply Company Asia Ltd	Hong Kong			100%	100%
Carlsberg Asia Pte Ltd	Singapore			100%	100%
Carlsberg Brewery Hong Kong Ltd	Hong Kong			100%	100%
Guangzhou Carlsberg Consultancy and Management Services Co. Ltd	China			100%	100%
Chongqing Brewery Co., Ltd	China	**A**		60%	60%
Carlsberg Chongqing Breweries Company Limited	China	**B**	8	51%	79%
Kunming Huashi Brewery Company Limited	China			100%	79%
Carlsberg (China) Breweries and Trading Company Limited	China			100%	79%
Carlsberg Brewery (Guangdong) Ltd	China			99%	79%
Xinjiang Wusu Breweries Co., Ltd	China		5	100%	79%
Ningxia Xixia Jianiang Brewery Limited	China			70%	56%
Carlsberg Beer Enterprise Management (Chongqing) Company Limited	China			100%	79%
Carlsberg Brewery (Anhui) Company Ltd	China			75%	60%
Carlsberg Tianmuhu Brewery (Jiangsu) Company Ltd	China			100%	79%
Lao Brewery Co. Ltd	Laos			61%	61%
Carlsberg Korea Ltd.	South Korea			100%	100%

Asia	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Carlsberg Brewery Malaysia Berhad	Malaysia	**A**		51%	51%
Carlsberg Marketing Sdn BHD	Malaysia			100%	51%
Euro Distributors Sdn BHD	Malaysia			100%	51%
Carlsberg Singapore Pte Ltd	Singapore			100%	51%
Maybev Pte Ltd	Singapore	**C**		51%	26%
Carlsberg South Asia Pte Ltd	Singapore	**D**		67%	100%
South Asian Breweries Pte. Ltd	Singapore	**D**		100%	100%
Carlsberg India Pvt. Ltd	India	**D**		100%	100%
Gorkha Brewery Pvt. Ltd	Nepal	**D, E, F**		90%	90%
G.B. Marketing Pvt Ltd	Nepal	**D, F**		100%	90%
Carlsberg Vietnam Trading Co. Ltd	Vietnam			100%	100%
Carlsberg Vietnam Breweries Ltd	Vietnam			100%	100%
Paduak Holding Pte. Ltd	Singapore			100%	100%
Caretech Limited	Hong Kong			100%	100%
Cambrew Limited	Cambodia		2	100%	100%
Cambrew Properties Ltd	Cambodia			100%	100%
Angkor Beverage Co Ltd	Cambodia			100%	100%
CB Distribution Co., Ltd	Thailand			100%	100%

A Listed company.

B Carlsberg Chongqing Breweries Company Limited is owned by Chongqing Brewery Co., Ltd (51%) and Guangzhou Carlsberg Consultancy and Management Services Co Ltd (49%), resulting in a consolidated ownership of 79%

C Maybev Pte Ltd is owned by Carlsberg Singapore Pte Ltd (51%), which is owned by Carlsberg Brewery Malaysia Berhad (51%), resulting in a consolidated ownership of 26%.

D The Group owns 67% of Carlsberg South Asia Pte Ltd, which is the holding company of South Asian Breweries Pte. Ltd, Carlsberg India Pvt. Ltd and Gorkha Brewery Pvt. Ltd (Nepal). The consolidation percentage of Carlsberg South Asia Pte Ltd is 100% due to a written put option.

E The Group has the legal and contractual rights of a majority shareholder in Gorkha Brewery Pvt. Ltd, but does not consolidate the company and its subsidiary for accounting purposes, cf. section 5.2.

F Company not audited by PwC.

Central & Eastern Europe	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Baltika Breweries LLC	Russia	**F, G, H**	3	100%	100%
Carlsberg Azerbaijan LLC	Azerbaijan			100%	100%
Baku Piva JSC	Azerbaijan			91%	91%
Hoppy Union LLC	Russia	**F, G, H**		100%	100%
Konix Brewery LLC	Russia	**F, G, I**		75%	100%
Carlsberg Kazakhstan Ltd	Kazakhstan	**K**		90%	100%
Baltic Beverages Invest AB	Sweden	**H**		100%	100%
PJSC Carlsberg Ukraine	Ukraine		1	100%	100%
Baltic Beverages Holding AB	Sweden			100%	100%
Carlsberg Serbia Ltd	Serbia			100%	100%
Carlsberg BH d.o.o.	Bosnia and Herzegovina			100%	100%
Carlsberg Montenegro d.o.o.	Montenegro			100%	100%
Carlsberg Croatia d.o.o.	Croatia			100%	100%
Carlsberg Bulgaria AD	Bulgaria			100%	100%
OJSC Brewery Alivaria	Belarus	**F, I**		78%	89%
Carlsberg Italia S.p.A.	Italy			100%	100%
Carlsberg Horeca Srl	Italy			100%	100%
T&C Italia Srl	Italy			100%	100%
Olympic Brewery SA	Greece			100%	100%
Hellenic Beverage Company SA	Greece			100%	100%
Carlsberg Hungary Kft.	Hungary			100%	100%
Saku Õlletehase AS	Estonia			100%	100%
Aldaris JSC	Latvia			100%	100%
Svyturys-Utenos Alus UAB	Lithuania	**H**		99%	99%
CTDD Beer Imports Ltd	Canada			100%	100%
Carlsberg Canada Inc.	Canada			100%	100%
Carlsberg USA Inc.	USA			100%	100%

Not allocated	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Carlsberg Finans A/S	Denmark	**L**		36%	100%
Carlsberg International A/S	Denmark			100%	100%
Visit Carlsberg A/S	Denmark			100%	100%
Carlsberg Invest A/S	Denmark			100%	100%
Carlsberg Integrated Information Technology A/S	Denmark			100%	100%
Carlsberg Insurance A/S	Denmark			100%	100%
Carlsberg Central Office A/S	Denmark			100%	100%
Traitomic A/S	Denmark			100%	100%
Carlsberg Shared Services Sp. z o.o.	Poland			100%	100%

Associates	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Sinergie Proattive Srl	Italy			36%	36%
Viacer S.G.P.S., Lda	Portugal	**M**		29%	29%
Super Bock Group, S.G.P.S., S.A.	Portugal	**M**	11	56%	60%
Serviced Dispense Equipment (Holdings) Limited	UK		2	33%	20%
Nuuk Imeq A/S	Greenland	**F**		32%	32%
Chongqing Jiawei Beer Co. Ltd	China			33%	26%
Lanzhou Huanghe Jianiang Brewery Company Limited	China			50%	50%
Qinghai Huanghe Jianiang Brewery Company Ltd	China			50%	50%
Jiuquan West Brewery Company Limited	China			50%	50%
Tianshui Huanghe Jianiang Brewery Company Ltd	China			50%	50%
Capital Brewing Company Ltd	Hong Kong		4	49%	49%
Lion Brewery (Ceylon) PLC	Sri Lanka	**A, F, N**		25%	13%
Hanoi Beer Alcohol and Beverage Joint Stock Corporation	Vietnam	**F**		17%	17%
Carlsberg Distributors Taiwan Limited	Taiwan		1	50%	50%
NCC Crowns Private Limited	India			33%	33%
Bottlers Nepal Limited	Nepal		1	22%	20%
Myanmar Carlsberg Co. Ltd	Myanmar	**F**	1	61%	61%

G Part of disposal group held for sale

H Company owned by Carlsberg Sverige AB.

I Consolidated ownership is higher than the legal ownership due to written put options.

J A separate annual report is not prepared.

K Carlsberg Kazakhstan Ltd is owned by Carlsberg Sverige AB (90%) and Baltika Brewery LLC (10%), resulting in a consolidated ownership of 100%

L Carlsberg Finans A/S is owned by Carlsberg Breweries A/S (36%) and Baltika Brewery LLC (64%), resulting in a consolidated ownership of 100%

M Viacer S.G.P.S (Viacer) is the controlling shareholder of Super Bock Group, S.G.P.S. (Super Bock) with a 56% shareholding, with Carlsberg Breweries A/S owning the remaining 44%. In addition, Carlsberg Breweries A/S has a direct ownership in Viacer of 29% without exercising control. Therefore, both Viacer and Super Bock are considered associates of the Group. The Group's direct and indirect ownership of Super Bock totals 60%.

N Lion Brewery (Ceylon) PLC is owned by Carlsberg Brewery Malaysia Berhad (25%). Carlsberg owns 51% of Carlsberg Brewery Malaysia Berhad, resulting in 13% of the result being attributed to the shareholders in Carlsberg Breweries A/S.

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PARENT COMPANY FINANCIAL STATEMENTS

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INCOME STATEMENT

DKK million	Section	2022	2021
Revenue		**2,736**	**2,387**
Cost of sales	3.1	-915	-870
Gross profit		**1,821**	**1,517**
Sales and distribution expenses	3.1	-806	-730
Administrative expenses		-777	-904
Other operating activities, net	3.1	352	146
Operating profit before special items		**590**	**29**
Special items, net	1.2	-9,884	-173
Financial income	2.2	3,710	6,375
Financial expenses	2.2	-1,174	-978
Profit before tax		**-6,758**	**5,253**
Income tax	5.4	-137	62
Profit for the period		**-6,895**	**5,315**
Attributable to			
Dividend to shareholder		3,695	3,486
Reserves		-10,590	1,829
Profit for the period		**-6,895**	**5,315**

STATEMENT OF COMPREHENSIVE INCOME

DKK million	Section	2022	2021
Profit for the period		**-6,895**	**5,315**
Other comprehensive income			
Value adjustments of hedging instruments		7	-19
Income tax	5.4	-2	4
Items that may be reclassified to the income statement		**5**	**-15**
Other comprehensive income		**5**	**-15**
Total comprehensive income		**-6,890**	**5,300**

STATEMENT OF FINANCIAL POSITION

DKK million	Section	31 Dec. 2022	31 Dec. 2021
ASSETS			
Non-current assets			
Intangible assets	5.3	1,493	1,544
Property, plant and equipment	5.3	268	282
Investments in subsidiaries	1.1	69,014	78,734
Investments in associates	1.1	2,910	2,910
Receivables	3.3	531	318
Total non-current assets		**74,216**	**83,788**
Current assets			
Trade receivables	3.3	1,185	872
Tax receivables		51	79
Other receivables	3.3	20,469	20,533
Prepayments		29	30
Cash and cash equivalents	2.4	1,368	3,291
Total current assets		**23,102**	**24,805**
Total assets		**97,318**	**108,593**

DKK million	Section	31 Dec. 2022	31 Dec. 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	2.1	498	499
Hedging reserves		-281	-286
Retained earnings		37,898	52,699
Total equity		**38,115**	**52,912**
Non-current liabilities			
Borrowings	2.4	25,706	21,886
Deferred tax liabilities	5.4	342	258
Provisions	5.1	409	460
Total non-current liabilities		**26,457**	**22,604**
Current liabilities			
Borrowings	2.4	30,479	31,151
Trade payables		1,093	879
Deposits on returnable packaging materials		53	51
Provisions	5.1	86	34
Other liabilities, etc.		1,035	962
Total current liabilities		**32,746**	**33,077**
Total liabilities		**59,203**	**55,681**
Total equity and liabilities		**97,318**	**108,593**

STATEMENT OF CHANGES IN EQUITY

DKK million	Shareholder in Carlsberg Breweries A/S			
2022	Share capital	Hedging reserves	Retained earnings	Total equity
Equity at 1 January	**499**	**-286**	**52,699**	**52,912**
Profit for the period	**-**	**-**	**-6,895**	**-6,895**
Other comprehensive income	**-**	**5**	**-**	**5**
Total comprehensive income for the period	**-**	**5**	**-6,895**	**-6,890**
Capital reduction	-1	-	-4,499	-4,500
Settlement of share-based payments	-	-	22	22
Share-based payments	-	-	57	57
Dividend paid to shareholder	-	-	-3,486	-3,486
Total changes in equity	**-1**	**5**	**-14,801**	**-14,797**
Equity at 31 December	**498**	**-281**	**37,898**	**38,115**
2021				
Equity at 1 January	**500**	**-271**	**54,808**	**55,037**
Profit for the period	**-**	**-**	**5,315**	**5,315**
Other comprehensive income	**-**	**-15**	**-**	**-15**
Total comprehensive income for the period	**-**	**-15**	**5,315**	**5,300**
Capital reduction	-1	-	-3,999	-4,000
Settlement of share-based payments	-	-	-207	-207
Share-based payments	-	-	42	42
Dividend paid to shareholder	-	-	-3,260	-3,260
Total changes in equity	**-1**	**-15**	**-2,109**	**-2,125**
Equity at 31 December	**499**	**-286**	**52,699**	**52,912**

STATEMENT OF CASH FLOWS

DKK million	Section	2022	2021
Operating profit before special items		590	29
Depreciation and amortisation		85	75
Operating profit before depreciation, amortisation and impairment losses		**675**	**104**
Other non-cash items	3.2	59	36
Change in working capital	3.2	-593	-139
Restructuring costs paid		-43	-60
Interest etc. received		492	354
Interest etc. paid		-1,446	-713
Income tax paid		-27	-54
Cash flow from operating activities		**-883**	**-472**
Acquisition of property, plant and equipment and intangible assets		-17	-1
Disposal of property, plant and equipment and intangible assets		-	1
Total operational investments		**-17**	**-**
Capital injection in subsidiaries		-51	-46
Acquisition and disposal of associates, net		-	-2
Change in financial receivables		2	-2
Dividends received		3,196	5,681
Total financial investments		**3,147**	**5,631**
Cash flow from investing activities		**3,130**	**5,631**
Free cash flow		**2,247**	**5,159**
Shareholder in Carlsberg Breweries A/S	2.1	-7,986	-7,260
External financing	2.4	3,758	1,483
Cash flow from financing activities		**-4,228**	**-5,777**
Net cash flow		**-1,981**	**-618**
Cash and cash equivalents at 1 January		3,291	3,903
Foreign exchange adjustment of cash and cash equivalents		58	6
Cash and cash equivalents at 31 December	2.4	**1,368**	**3,291**

SECTION 1

SUBSIDIARIES AND RELATED PARTIES

SECTION 1.1

INVESTMENTS IN SUBSIDIARIES

In 2022, impairment losses of DKK 9,772m, were recognised on investments in subsidiaries. The losses mainly relate to the investment in Carlsberg Sweden Holding 2 AB, which through intermediate companies is the owner of the Group's investments in Russia and Ukraine. The impairment reflects the Group's decision to seek a full divestment of the Russian business. This led to the classification of the business as held for sale and remeasurement at fair value. Russia's invasion of Ukraine also led to the reassessment of the recoverable amount of the business in Ukraine. The reassessed value of the two businesses was applied in the impairment test of the investment in Carlsberg Sweden Holding 2 AB, resulting in a write-down of DKK 9,700m. For further information on the reassessment of the values of the Ukrainian and Russian businesses, see sections 2.2 and 5.1 in the consolidated financial statements.

Impairment losses of DKK 72m relate to a minor investment in Western Europe being loss-making and the liquidation of a minor entity in Asia.

In 2021, impairment losses of DKK 123m were the result of deteriorating business conditions in a minor investment in Western Europe.

Investments in subsidiaries

DKK million	2022	2021
Cost		
Cost at 1 January	85,956	85,977
Additions	51	46
Disposals	-34	-67
Cost at 31 December	**85,973**	**85,956**
Value adjustments		
Value adjustments at 1 January	7,222	7,165
Disposal	-35	-66
Impairment losses	9,772	123
Value adjustments at 31 December	**16,959**	**7,222**
Carrying amount at 31 December	**69,014**	**78,734**

Please see section 10 in the consolidated financial statements for a list of companies in the Carlsberg Breweries Group.

An adjustment has been made to the opening balance of investments in subsidiaries and investments in associates for 2021 to correct a prior-period error in the classification of investments. The correction did not change the value of the investment. The adjustment reduced investments in associates by DKK 1,189m with a corresponding increase in investments in subsidiaries.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Indications of impairment of investments in subsidiaries are assessed annually by management. Impairment tests are performed by applying the same principles as the tests for impairment of goodwill in the Group, cf. section 2.2 in the consolidated financial statements.

It is management's assessment that no further indications of impairment existed at year-end 2022. Impairment tests have therefore not been carried out for investments in other subsidiaries.

Investments in associates

DKK million	2022	2021
Cost		
Cost at 1 January	2,910	2,908
Additions	-	2
Cost at 31 December	**2,910**	**2,910**
Value adjustments		
Value adjustments at 1 January	-	-
Value adjustments at 31 December	**-**	**-**
Carrying amount at 31 December	**2,910**	**2,910**

ACCOUNTING POLICIES

Dividends on investments in subsidiaries are recognised in the income statement of the Parent Company in the financial year in which the dividend is declared.

Investments in subsidiaries are measured at the lower of cost and recoverable amount.

SECTION 1.2

SPECIAL ITEMS

Special items

DKK million	2022	2021
Various restructuring projects and provisions	-25	-50
Donations	-25	-
Cost related to acquisition of subsidiaries	-62	-
Impairment of investments in subsidiaries	-9,772	-123
Cost at 31 December	**-9,884**	**-173**

Impact of special items on operating profit

DKK million	2022	2021
If special items had been recognised in operating profit before special items, they would have been included in the following items:		
Administrative expenses	-112	-50
Financial expenses	-9,772	-123
Special items, net	**-9,884**	**-173**

Impairment of investments in subsidiaries mainly relates to the investment in Carlsberg Sweden Holding 2 AB, cf. section 1.1.

Restructuring costs of DKK 25m relate to various restructuring projects as part of the ongoing focus on cost and efficiency initiatives.

The Company donated DKK 25m to the Ukrainian relief effort. Please refer to section 3.1 in the consolidated financial statements.

SECTION 1.3

RELATED PARTIES

Carlsberg A/S, J.C. Jacobsens Gade 1, 1799 Copenhagen V, Denmark, holds all the shares in Carlsberg Breweries A/S.

The following transactions took place between Carlsberg Breweries A/S and the parent in 2022:

- Carlsberg Breweries leases storage facilities in the researcher apartments.

The dividend paid to Carlsberg A/S is described in further detail in section 4.3 in the consolidated financial statements.

It is estimated that the benefit for the Carlsberg Breweries Group corresponds to the value of the services provided to the Carlsberg Foundation, which in turn corresponds to what each party would have had to pay to have the same deliverables provided by external parties.

Related party disclosures

DKK million	2022	2021
Carlsberg A/S		
Other operating activities, net	-21	-26
Interest income	10	1
Loans	-	310
Dividend paid	-3,486	-3,260
Capital reduction	-4,500	-4,000
Receivables from the sale of goods and services	10	5
Recharge of share-based payments	60	44
Borrowings	-391	-
Trade payables	-4	-4
Associates		
Revenue	-	60
Interest income	24	-
Receivables from the sale of goods and services	109	95
Loans	-5	-
Subsidiaries		
Revenue	1,053	816
Cost of sales	-960	-786
Sales and distribution expenses	-28	-32
Administrative expenses	-123	-13
Other operating activities, net	344	145
Interest income	609	342
Interest expenses	-283	-94
Loans	19,207	19,675
Receivables	1,868	937
Borrowings	-28,851	-25,463
Trade payables and other liabilities etc.	-542	-341

OTHER RELATED PARTIES

Related parties also comprise Carlsberg Breweries A/S' Supervisory Board and Executive Board, their close family members and companies in which these persons have significant influence.

During the year, there were no transactions between these parties and the Group, except for remuneration as disclosed in section 4.

Dividends of DKK 251m (2021: DKK 250m) were received from associates. No losses on loans to or receivables from subsidiaries or associates were recognised or provided for in either 2022 or 2021.

Dividends of DKK 2,945m (2021: DKK 5,431m) were received from subsidiaries.

SECTION 2

CAPITAL STRUCTURE

SECTION 2.1

SHARE CAPITAL

Share capital

DKK million	Shares of DKK 1,000	Nomial value, DKK '000
1 January 2021	500,000	500,000
Capital reduction	-1,000	-1,000
31 December 2021	499,000	499,000
Capital reduction	-1,000	-1,000
31 December 2022	**498,000**	**498,000**

The share capital amounts to DKK 498m divided into shares in denominations of DKK 1,000 and multiples thereof. None of the shares confer any special rights. The share capital is owned by Carlsberg A/S, Copenhagen, Denmark.

In November 2022, the share capital was reduced from DKK 499m to DKK 498m through a cash distribution of nominally DKK 1m at a (per 100) price of DKK 400,000, corresponding to a total cash distribution to Carlsberg A/S of DKK 4.5bn. This cash distribution corresponds to the share buy-backs that were carried out by Carlsberg A/S over a 12-month period from 5 February 2022.

The dividend paid out to the shareholder in 2022 relating to 2021 amounted to DKK 3,486m (paid out in 2021 for 2020: DKK 3,260m).

Carlsberg Breweries A/S proposes a dividend of DKK 7,420 per share, in total DKK 3,695m (2021: DKK 6,986 per share, in total DKK 3,486m). The proposed dividend is included in retained earnings at 31 December 2022.

The dividend paid out to the shareholder in Carlsberg Breweries A/S does not impact taxable income in Carlsberg Breweries A/S.

SECTION 2.2

FINANCIAL INCOME AND EXPENSES

Interest income relates to interest from cash and cash equivalents and loans to subsidiaries, whereas interest expenses relate to interest on borrowings.

Foreign exchange adjustments of balances with foreign entities that are considered part of the total net investment in the entity are recognised in the income statement.

DKK million	2022	2021
Financial income		
Interest income	519	340
Dividends from subsidiaries and associates	3,196	5,681
Reversal of impairments of financial assets	-18	345
Other	13	9
Total	**3,710**	**6,375**
Financial expenses		
Interest expenses	-888	-560
Foreign exchange losses, net	-253	-395
Bank and commitment fees	-33	-23
Total	**-1,174**	**-978**
Financial items, net	**2,536**	**5,397**

SECTION 2.3

NET INTEREST-BEARING DEBT

Net interest-bearing debt

DKK million	2022	2021
Non-current borrowings	25,706	21,886
Current borrowings	30,479	31,151
Gross financial debt	**56,185**	**53,037**
Cash and cash equivalents	-1,368	-3,291
Net financial debt	**54,817**	**49,746**
Loans to Group companies and partners	-19,552	-20,022
Net interest-bearing debt	**35,265**	**29,724**

Changes in net interest-bearing debt		
Net interest-bearing debt at 1 January	**29,724**	**27,794**
Cash flow from operating activities	883	472
Cash flow from investing activities, excl. acquisition of subsidiaries, net	-3,130	-5,631
Dividend to shareholder	3,486	3,260
Change in interest-bearing lending	-15	-347
Capital reduction	4,500	4,000
Lease liabilities	17	2
Effect of currency translation	-200	174
Total change	**5,541**	**1,930**
Net interest-bearing debt at 31 December	**35,265**	**29,724**

SECTION 2.4

BORROWINGS AND CASH

Gross financial debt

DKK million	2022	2021
Non-current borrowings		
Issued bonds	21,470	21,452
Bank borrowings	-	-17
Lease liabilities	242	257
Borrowings from Group companies	3,900	-
Other borrowings	94	194
Total	**25,706**	**21,886**
Current borrowings		
Issued bonds	3,714	5,573
Lease liabilities	17	17
Other borrowings	26,748	25,561
Total	**30,479**	**31,151**
Total non-current and current borrowings	**56,185**	**53,037**
Fair value	54,233	53,690

Other borrowings mainly comprise borrowings from Group companies.

The fair value of borrowings in subsidiaries corresponds to the carrying amount in all material respects.

Borrowings are measured at amortised cost.

Changes in gross financial debt

DKK million	2022	2021
Gross financial debt at 1 January	**53,037**	**50,307**
Proceeds from issue of bonds	3,708	-
Instalments on and proceeds from borrowings, non-current	-5,583	-118
Instalments on and proceeds from European Commercial paper	1,302	1
Change in current borrowings from Group companies	4,463	2,779
Change in current loans to Group companies	470	-1,166
Instalments on lease liabilities	-17	-17
Other	-585	4
Financing	**3,758**	**1,483**
Intercompany loans	-470	1,166
Other, including foreign exchange adjustments and amortisation	-140	81
Gross financial debt at 31 December	**56,185**	**53,037**

Cash and cash equivalents amounted to DKK 1,368m (2021: DKK 3,291m). Cash and cash equivalents are not associated with any significant credit risks.

SECTION 2.5

CREDIT RISK

Credit risk is the risk of a counterparty failing to meet its contractual obligations and so inflicting a loss on the Carlsberg Breweries Group. Group policy is that financial transactions may be entered into only with financial institutions with a solid credit rating, defined as BBB.

SECTION 2.6

FOREIGN EXCHANGE RISK RELATED TO NET INVESTMENTS AND FINANCING ACTIVITIES

Carlsberg Breweries A/S' main activity is owning a number of subsidiaries and funding the capital required for both net investment and loans to subsidiaries. As a consequence, Carlsberg Breweries A/S is exposed to foreign exchange risk from its lending to and borrowing from external parties, Group companies and financial instruments. Carlsberg Breweries A/S manages these exposures within limits, which on a net basis leads to only insignificant foreign exchange exposure. The exceptions are semi-equity loans and derivatives designated as net investment hedges, which are recognised in other comprehensive income in the consolidated financial statements and accounted for in the Parent Company income statement. For more details on semi-equity loans and net investment hedges, see section 4.6 in the consolidated financial statements.

Exchange rate sensitivity - other comprehensive income

	2022				2021	
DKK million	Average hedged rate	Notional amount	% change	Effect on OCI	Average hedged rate	Effect on OCI
USD/DKK	6.8618	-238	10%	-24	6,2054	-18
Other	N/A	-189	10-30%	-42	-	-6
Total				**-66**		**-24**

Currency profile of borrowings

Before and after derivative financial instruments

DKK million

2022	Original principal	Effect of swap	After swap
CHF	1,803	1,180	2,983
NOK	1,747	696	2,443
EUR	33,159	-8,172	24,987
USD	152	2,985	3,137
DKK	7,970	-	7,970
SEK	4,185	629	4,814
Other	7,169	2,682	9,851
Total	**56,185**	**-**	**56,185**
Total 2021	**53,037**	**-**	**53,037**

SECTION 2.7

INTEREST RATE RISK

Carlsberg Breweries A/S fills the role of internal bank in the Group. Part of this role is to implement the Group's interest rate risk target, which is to have a duration of three to eight years.

The Company's loan portfolio consists of bilateral loan agreements, syndicated credit facilities and loans from the shareholder and subsidiaries.

Interest rate risks are mainly managed using bonds with fixed interest.

At the reporting date, 38% of the gross loan portfolio consisted of fixed-rate borrowings with interest rates fixed for more than one year (2021: 40%). At 31 December 2022, Carlsberg Breweries A/S had borrowed DKK 25,342m from subsidiaries and associates (2021: DKK 25,463m), and provided interest-bearing loans to subsidiaries, associates and partners of DKK 19,552m (2021: DKK 20,022m).

All lending to and borrowings from subsidiaries and associates are at floating interest rates.

Interest rate risk

DKK million

2022	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
Issued bonds					
EUR 500m maturing 6 September 2023	Fixed	0.7%	< 1 year	3,714	Fair value
EUR 1,000m maturing 28 May 2024	Fixed	2.6%	1-2 years	7,421	Fair value
EUR 500m maturing 12 October 2025	Fixed	3.4%	2-3 years	3,705	Fair value
EUR 500m maturing 30 June 2027	Fixed	0.5%	4-5 years	3,699	Fair value
EUR 400m maturing 1 July 2029	Fixed	1.0%	> 5 years	2,948	Fair value
EUR 500m maturing 11 March 2030	Fixed	0.7%	> 5 years	3,697	Fair value
Total issued bonds		**1.7%**		**25,184**	
Total issued bonds 2021		**1.6%**		**27,025**	
Bank borrowings and other borrowings					
Floating-rate	Floating	1.6%	< 1 year	269	Cash flow
Fixed-rate	Fixed	0.7%	> 1 year	104	Fair value
Total bank borrowings and other borrowings				**373**	
Total bank borrowings and other borrowings 2021				**275**	

SECTION 2.8

LIQUIDITY RISK

Liquidity risk results from the Group's potential inability to meet the obligations associated with its financial liabilities, for example settlement of financial debt and paying suppliers.

The Group's liquidity is managed by Group Treasury. The aim is to ensure effective liquidity management, which involves obtaining sufficient committed credit facilities to ensure adequate financial resources and, to some extent, tapping a range of funding sources.

Carlsberg Breweries A/S is the main funding vehicle in the Carlsberg Breweries Group. Accordingly, reference is made to the section on financial risk in Carlsberg Breweries Group regarding the liquidity risk.

Time to maturity for non-current borrowings

DKK million

2022	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	7,421	3,705	-	3,698	6,646	21,470
Lease liabilities	17	15	15	15	180	242
Other	94	-	-	3,900	-	3,994
Total	**7,532**	**3,720**	**15**	**7,613**	**6,826**	**25,706**
Total 2021	**3,822**	**7,505**	**15**	**15**	**10,529**	**21,886**

Maturity of financial liabilities

DKK million

2022	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
Derivative financial instruments					
Derivative financial instruments, payables	360	354	6	-	380
Non-derivative financial instruments					
Financial debt, gross	56,296	30,484	18,939	6,873	56,185
Interest expenses	2,195	1,216	939	40	N/A
Trade payables and other liabilities	1,146	1,146	-	-	1,146
Contingent liabilities	1,117	1,117	-	-	-
Non-derivative financial instruments	**60,754**	**33,963**	**19,878**	**6,913**	**-**
Financial liabilities	**61,114**	**34,317**	**19,884**	**6,913**	**-**
Financial liabilities 2021	**57,312**	**34,405**	**12,223**	**10,684**	**-**

SECTION 2.9

DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into various derivative financial instruments to hedge foreign exchange, interest rate and commodity risks, and seeks to apply hedge accounting when this is possible. Hedging of future, highly probable forecast transactions is designated as other cash flow hedges. Fair value adjustments of derivative financial instruments that are not designated as cash flow hedges are recognised in financial income and expenses. This also applies to commodity hedges that are designated as cash flow hedges in the consolidated financial statements but not designated in the Parents financial statements.

The Company monitors the cash flow hedge relationships twice a year to assess whether the hedge is still effective. Positive fair values of derivatives are recognised as other receivables and negative values as other liabilities.

The fair value of derivatives designated as cash flow hedges is presented in the cash flow hedges section below.

Cash flow hedges comprise currency forwards entered into to cover the foreign exchange risk on transactions expected to take place in 2023 and 2024.

The impact on other comprehensive income from exchange rate instruments relates to hedges of the Company's purchases and sales in currencies other than their functional currencies.

The closing balance in the equity reserve for hedging of cash flow hedges for which hedge accounting is no longer applied was DKK -843m (2021: DKK -843m).

Hedging of raw material price risk

DKK million

	Sensitivity assuming 100% efficiency				Time of maturity		
Aluminium	Change	Effect in P/L	Tonnes purchased	Average price (DKK)	2022	2023	2024
2022	20%	132	40,209	18,014		32,820	7,389
2021	20%	98	33,586	16,158	33,586		

	Sensitivity assuming 100% efficiency				Time of maturity		
Energy	Change	Effect in P/L	MWh purchased	Average price (DKK)	< 1 year	1-5 years	> 5 years
2022	20%	34	289,966	420	-	99,123	190,843

The Company's process for hedging of raw material price risk is the same as the Carlsberg Breweries Group's. Accordingly, reference is made to section 1.3 on operating activities in Carlsberg Breweries Group with regarding to the commodity risk.

Financial derivatives not designated as hedging instruments (economic hedges)

DKK million

2022	Income statement	Fair value receivables	Fair value payables	Fair value, net
Exchange rate instruments	-343	230	-197	33
Other instruments	-67	211	-183	28
Total	**-410**	**441**	**-380**	**61**
2021				
Exchange rate instruments	-476	93	-271	-178
Other instruments	42	240	-163	77
Total	**-434**	**333**	**-434**	**-101**

Cash flow hedges

DKK million

					Expected recognition
2022	Other comprehen-sive income	Fair value receivables	Fair value payables	Fair value, net	2023
Exchange rate instruments	7	3	-3	-	-
Total	**7**	**3**	**-3**	**-**	**-**
2021					**2022**
Exchange rate instruments	-19	-	-7	-7	-7
Total	**-19**	**-**	**-7**	**-7**	**-7**

SECTION 3

OPERATING ACTIVITIES

SECTION 3.1

OPERATING EXPENSES

Cost of sales

DKK million	2022	2021
Purchased finished goods and other costs	915	870
Total	**915**	**870**

Sales and distribution expenses

DKK million	2022	2021
Marketing expenses	623	594
Sales expenses	149	68
Distribution expenses	34	68
Total	**806**	**730**

Other operating activities, net

DKK million	2022	2021
Management fee from Group companies	427	217
Other, net	-75	-71
Total	**352**	**146**

SECTION 3.2

CASH FLOW FROM OPERATING ACTIVITIES

Cash flows

DKK million	2022	2021
Other non-cash items		
Share-based payments	57	42
Other items	2	-6
Total	**59**	**36**
Change in working capital		
Receivables	-793	-12
Trade payables and other liabilities	181	-256
Other provisions	-6	82
Unrealised foreign exchange gains/losses	25	47
Total	**-593**	**-139**

SECTION 3.3

RECEIVABLES

Trade receivables comprise invoiced goods and services.

Receivables included in the statement of financial position

DKK million	2022	2021
Trade receivables	1,185	872
Other receivables	20,469	20,533
Total current receivables	**21,654**	**21,405**
Non-current receivables	531	318
Total	**22,185**	**21,723**

Receivables by origin

DKK million	2022	2021
Receivables from sale of goods and services	217	191
Receivables from Group companies	1,685	934
Loans to Group companies	19,207	19,675
Loans, fair value of hedging instruments and other receivables	1,076	923
Total	**22,185**	**21,723**

Other receivables comprise VAT receivables, loans to Group companies, associates, interest receivables and other financial receivables. The fair value of receivables in subsidiaries corresponds to the carrying amount in all material respects.

Our customers were faced with a challenging macroeconomic environment, and impacted by unpredictable energy prices and rising inflation and interest rates affecting credit risk for trade receivables. Please see section 1.5 in the consolidated financial statements for more details.

SECTION 4

STAFF COSTS AND REMUNERATION

SECTION 4.1

STAFF COSTS AND REMUNERATION

The remuneration of the Supervisory Board, the executive directors and key management personnel is described in detail in section 7.2 in the consolidated financial statements.

The Supervisory Board of Carlsberg Breweries A/S is not remunerated.

Remuneration of executive directors is based on a fixed salary, cash bonus payments and non-monetary benefits, such as company car, telephone etc. Furthermore, performance share programmes and incentive schemes have been established for executive directors. These programmes and schemes cover a number of years.

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

Staff costs and remuneration also cover costs and remuneration regarding executive directors of the Company who are contractually employed by other Group companies where the related cost is recognised and payment is made in those companies.

Remuneration of executive directors and the Supervisory Board is specified in section 7 in the consolidated financial statements.

ACCOUNTING POLICIES

Staff costs are recognised in the financial year in which the employee renders the related service. The fair value of share-based incentives, which is expensed over the vesting period of the programme according to the service conditions, is recognised in staff costs and offset directly against equity.

Staff costs and remuneration

DKK million	2022	2021
Salaries and other remuneration	621	599
Severance payments	3	3
Social security costs	5	5
Retirement benefit costs - defined contribution plans	34	37
Share-based payments	44	53
Other employee benefits	6	8
Total	**713**	**705**

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

Sales and distribution expenses	188	205
Administrative expenses	529	473
Total staff costs recognised by the Parent Company	**717**	**678**
Remuneration of executive director recognised by Carlsberg A/S	-4	27
Total	**713**	**705**

The Company had an average of 413 (2021: 392) full-time employees during the year.

SECTION 4.2

SHARE-BASED PAYMENTS

Share-based incentive programmes have been set up for management personnel at Carlsberg Breweries A/S. Please refer to section 7.3 in the consolidated financial statements for general descriptions of the programmes.

PERFORMANCE SHARES

The number of performance shares granted is the maximum number of performance shares that can vest. The number of shares outstanding at the end of the period is the estimated number of shares expected to vest, based on an assessment of the extent to which the vesting conditions are expected to be met. The number of shares expected to vest is revised on a regular basis.

Regular performance shares

In 2022, 40 employees (2021: 38 employees) in Carlsberg Breweries A/S were awarded performance shares.

Vesting is subject to achievement of the four KPIs: total shareholder return, adjusted EPS growth, organic revenue growth and growth in ROIC. The average share price at transfer was DKK 1,084 (2021: DKK 989). The average contractual life at the end of 2022 was 1.2 years (2021: 1.2 years).

SHARE OPTIONS

No share options have been granted since 2016. All outstanding options at 1 January were exercised during the year. The average share price at exercise was DKK 1,063.

Share-based payments

	Exercise price			Number
Performance shares	Fixed, weighted average	Executive directors	Other management personnel	Total
Performance shares outstanding at 31 December 2020		142,612	97,870	240,482
Granted		50,805	36,467	87,272
Forfeited/expired/adjusted		-13,027	-26,218	-39,245
Exercised		-44,212	-31,389	-75,601
Performance shares outstanding at 31 December 2021		**136,178**	**76,730**	**212,908**
Granted		33,753	45,579	79,332
Forfeited/expired/adjusted		-7,263	1,887	-5,376
Exercised		-45,999	-29,096	-75,095
Performance shares outstanding at 31 December 2022		**116,669**	**95,100**	**211,769**
Shares options				
31 December 2020	518	114,984	-	114,984
31 December 2021	**518**	**114,984**	**-**	**114,984**
31 December 2022	**-**	**-**	**-**	**-**

SECTION 5

OTHER DISCLOSURE REQUIREMENTS

SECTION 5.1

PROVISIONS

Provisions primarily relate to ongoing disputes, lawsuits, restructurings etc.

Provisions

DKK million	Total
Provisions at 1 January 2022	494
Additional provisions recognised	15
Used during the year	-14
Provisions at 31 December 2022	**495**

DKK 86m of total provisions (2021: DKK 34m) fall due within one year and DKK 2m (2021: DKK 2m) after more than five years from the end of the reporting period.

SECTION 5.2

FEES TO AUDITORS

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

DKK million	2022	2021
Statutory audit	3	2
Other assurance engagements	-	-
Tax advisory	-	-
Other services	-	-
Total	**3**	**2**

SECTION 5.3

ASSET BASE AND LEASES

The carrying amount of intangible assets was DKK 1,493m (2021: DKK 1,544m), and the carrying amount of property, plant and equipment was DKK 268m (2021: DKK 282m). Intangible assets mainly comprised brands of DKK 1,493m (2021: DKK 1,499m).

Of the depreciation and amortisation of DKK 85m (2021: DKK 75m), DKK 6m (2021: DKK 6m) was included in cost of sales whereas DKK 79m (2021: DKK 69m) was included in sales and distribution expenses.

Carlsberg Breweries A/S leases various properties and equipment. At 31 December 2022, the carrying amount of right-of-use assets was DKK 259m (2021: DKK 275m). During the year, additions amounted to DKK 2m (2021: DKK 2m) and depreciation to DKK 17m (2021: DKK 17m). The lease expenses recognised in the income statement related to short-term leases and leases of low-value assets were insignificant. Such contracts comprise the lease of copy and printing machines, coffee machines, small IT devices and similar equipment.

SECTION 5.4

TAX

The domestic tax rate in Denmark in 2022 was 22% (2021: 22%). The effective tax rate was -2.0% (2021: -1.2%), and is mainly impacted by non-deductible impairments in special items and non-taxable dividends with a net effect of -24.0 percentage points (2021: -24.6 percentage points, related solely to non-taxable dividends).

Hedging instruments recognised in other comprehensive income before tax amounted to DKK 7m (2021: DKK -19m) with a tax expense of DKK 2m (2021: tax income of DKK 4m).

Deferred tax assets amounted to DKK 40m and comprised fair value adjustments of DKK 24m and property, plant and equipment of DKK 16m. In 2021, deferred tax assets amounted to DKK 247m and comprised provisions of DKK 146m, fair value adjustments of DKK 21m and tax loss carried forward of DKK 79m. The utilisation of tax loss carryforwards depends on future positive taxable income exceeding the realised deferred tax liabilities.

Deferred tax liabilities amounted to DKK 382m (2021: DKK 505m) and mainly comprised intangible assets of DKK 77m (2021: DKK 106m) and provisions of DKK 304m (2021: DKK 399m). Deferred tax, net, at 31 December was a deferred tax liability of DKK 342m (2021: DKK 258m).

The net changes in deferred tax of DKK 84m (2021: DKK 106m) mainly comprised impairment on tax assets of DKK -317m and change in other liabilities of DKK -47m offset by movements in provisions of DKK 450m (2021: DKK 15m in joint taxation contribution and DKK -4m in tax recognised in other comprehensive income).

Not recognised tax assets amounted to DKK 236m (2021: DKK 650m), related to tax losses that are not expected to be utilised in the foreseeable future. Tax losses that will not expire amounted to DKK 236m (2021: DKK 251m). Tax losses relating to interest deductibility restrictions are considered expired.

SECTION 5.4 (CONTINUED)

TAX

The administration company, Carlsberg A/S, has unlimited and joint legal responsibility with the other companies under the joint taxation scheme for withholding taxes on dividends, interest and royalties.

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

ACCOUNTING POLICIES

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

Danish subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and until the date when they are excluded from the consolidation. The jointly taxed Danish companies are taxed under the on-account tax scheme.

On payment of joint taxation contributions, the current Danish income 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).

Income tax expenses

DKK million	Income statement	Other comprehensive income	2022 Total comprehensive income	Income statement	Other comprehensive income	2021 Total comprehensive income
Tax for the year can be specified as follows						
Current tax	122	–	122	22	–	22
Change in deferred tax during the year	-75	2	-73	-60	-4	-64
Adjustments to tax for prior years	90	–	90	-24	–	-24
Total	**137**	**2**	**139**	**-62**	**-4**	**-66**

SECTION 5.5

CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Carlsberg Breweries A/S has issued guarantees for loans etc. raised by subsidiaries and associates (non-consolidated share of loan) of DKK 1,117m (2021: DKK 1,672m).

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

Carlsberg Breweries A/S is party to certain lawsuits, disputes etc. of various scopes.

In management's opinion, apart from items recognised in the statement of financial position or disclosed in the financial statements, the outcome of these lawsuits, disputes etc. will not have a material negative effect on the Company's financial position.

SECTION 5.6

EVENTS AFTER THE REPORTING PERIOD

On 6 February 2023, the valuers appointed to perform the put option valuation for the 33% shareholding in CSAPL released a put option valuation certificate stating a value of USD 744m (DKK 5,188m), cf. section 5.4 in the consolidated financial statements. CSAPLH has on 6 February, issued a formal put notice to sell its 33% shareholding in CSAPL to the company at the put option valuation amount.

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.

SECTION 6

GENERAL ACCOUNTING POLICIES

The financial statements of Carlsberg Breweries A/S for 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, and in accordance with IFRS as endorsed by the EU and further requirements in the Danish Financial Statements Act.

The financial statements are presented in Danish kroner (DKK), which is the presentation currency.

The accounting policies for the Parent Company are the same as for the Group, cf. section 9 in the consolidated financial statements and the individual sections.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing Carlsberg Breweries A/S' financial statements, management makes various accounting estimates and judgements that form the basis of presentation, recognition and measurement of the Company's assets and liabilities.

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

The significant accounting estimates and judgements made and accounting policies specific to the Parent Company are presented in the explanatory notes.

REPORTS

MANAGEMENT STATEMENT

The Supervisory Board and the Executive Board have today discussed and approved the Annual Report of the Carlsberg Breweries Group and the Parent Company for 2022.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and in accordance with IFRS as endorsed by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Carlsberg Breweries Group's and the Parent Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Carlsberg Breweries Group's and the Parent Company's operations and cash flows for the financial year 2022.

Further, in our opinion the Management review includes a fair review of the development in the Carlsberg Breweries Group's and the Parent Company's operations and financial matters, of the result for the year, and of the Carlsberg Breweries Group's and the Parent Company's financial position, as well as describing the significant risks and uncertainties affecting the Carlsberg Breweries Group and the Parent Company.

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

Copenhagen, 7 February 2023

Executive Board of Carlsberg Breweries A/S

Cees 't Hart
President & CEO

Ulrica Fearn
CFO

Supervisory Board of Carlsberg Breweries A/S

Henrik Poulsen
Chair

Majken Schultz
Deputy Chair

Cees 't Hart

Ulrica Fearn

Eva Vilstrup Decker

Thomas Paludan-Müller

Peter Petersen

REPORTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF CARLSBERG BREWERIES A/S

OUR OPINION

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements (pp 31 - 117) give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and in accordance with IFRS as endorsed by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of Carlsberg Breweries A/S for the financial year 1 January to 31 December 2022 comprise income statement and statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Carlsberg Breweries A/S on 28 April 2017 for the financial year 2017. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of six years including the financial year 2022.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2022. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Recognition of revenue is complex due to the variety of different revenue streams, ranging from sales of goods, royalty income and sales of by-products recognised when all significant risks and rewards have been transferred to the customer or in terms of the license agreement. Furthermore, the various discounts and locally imposed duties and fees in regard to revenue recognition are complex and hold an inherent risk to the revenue recognition process. We focused on this area, as there is a risk of non-compliance with accounting standards due to complexity originating from different customer behaviours, structures, market conditions and terms in the various countries. Revenue recognition and accounting treatment are described in section 1.2 “Segmentation of operations – Accounting estimates and judgements” in the Consolidated Financial Statements.	Our audit procedures included considering the appropriateness of the revenue recognition accounting policies and assessing compliance with the accounting standards. We performed risk assessment procedures to obtain an understanding of IT systems, business processes and relevant controls related to revenue recognition. For the controls we assessed if these had been designed and implemented in a way that effectively addresses the risk of material misstatement. We tested selected controls considered relevant to our audit, including applicable information systems, and Management’s monitoring of controls used to ensure the completeness, accuracy and timing of revenue recognised, were performed consistently throughout the year. We discussed the judgements related to the recognition, and classification of revenue with Management. Further, we performed substantive procedures regarding invoicing, significant contracts, significant transaction streams (including discounts), locally imposed duties and fees and cut-off at year-end in order to assess the accounting treatment and principles applied. We applied data analysis in our testing of revenue transactions in order to identify transactions outside the ordinary transaction flow, including journal entry testing.

Key audit matter	How our audit addressed the key audit matter
Recoverability of the carrying amount of goodwill and brands	
The principal risks are in relation to Management’s assessment of the future timing and amount of cash flows that are used to project the recoverability of the carrying amount of goodwill and brands. There are specific risks related to macroeconomic conditions and volatile earnings caused by volume decline, intensified competition and changed regulations in key markets – conditions that could also result in Management deciding to change brand strategy to drive business performance. Bearing in mind the generally long-lived nature of the assets, the significant assumptions are Management’s view of prices, volumes, discount rates, growth rates, royalty rates, expected useful life and costs, and future free cash flows as well as the judgement in defining cash-generating units (CGUs). We focused on this, as there is a high level of subjectivity exercised by Management in estimating future cash flows and the models used are complex. The key assumptions and accounting treatment are described in section 2.2 “Impairment” in the Consolidated Financial Statements.	We performed risk assessment procedures to obtain an understanding of IT systems, business processes and relevant controls related to the assessment of the carrying amount of goodwill and brands. In addressing the risks, we walked through and tested that controls relevant to our audit were performed consistently throughout the year. We considered the appropriateness of Management’s defined CGUs within the business. We evaluated whether there were factors requiring Management to change their definition. We examined the methodology used by Management to assess the carrying amount of goodwill and brands assigned to CGUs, and the process for identifying CGUs that require impairment testing to determine compliance with IFRS. We performed detailed testing for the assets where an impairment review was required or indications of impairment were identified. For those assets, we analysed the reasonableness of significant assumptions in relation to the ongoing operation of the assets. We corroborated estimates of future cash flows and challenged whether they are reasonable and supported by the most recently approved Management budgets, including expected future performance of the CGUs, and challenged whether these are appropriate in light of future macroeconomic expectations in the markets. We evaluated the assumptions used by Management, including assessment of price and volume forecasts, discount rates and long-term growth rates, and tested the mathematical accuracy of the relevant value-in-use models prepared by Management. We made use of our internal valuation specialists in the audit. Further, we assessed the appropriateness of disclosures, including sensitivity analyses prepared for the significant assumptions.

Key audit matter	How our audit addressed the key audit matter
Discontinued operations and disposal group held for sale	
In March 2022, Management announced their decision to seek a full divestment of the Russian business and classified it, as held for sale. The principal risks relate to Management's assessment of the Russian business classification as held for sale, the presentation as discontinued operations, and the fair value assessment of the business. The classification is based on objective criteria representing the availability of the business for immediate sale in its current condition, and the sale being highly probable. The Russian business is held at its fair value less cost to sell, which is subject to Management's estimation of the future cash flows. There are specific risks related to macroeconomic conditions and volatile earnings caused by volume decline, cost increases and changing regulations. The significant assumptions are Management's view on the Russian ruble conversion rate, free cash flow forecasts, long-term growth rates as well as the applied WACC. We focused on this, as there is a high level of subjectivity exercised by Management in estimating future cash flows and the model used is complex. The key assumptions and accounting treatment are described in section 5.1 "Discontinued operations and disposal group held for sale" in the Consolidated Financial Statements.	We performed risk assessment procedures to obtain an understanding of the financial reporting process, including the classification as held for sale and discontinued operations, the applied model including significant assumptions and relevant controls. In addressing the risks, we walked through and tested the relevant controls. We based our assessment of the classification as held for sale and discontinued operations based on the criteria mandated by IFRS. We have further based our assessment on the actions taken by Management in ensuring the business is available for sale. We considered the appropriateness of Management's valuation model. We examined the methodology used by Management to assess the fair value less cost to sell to determine compliance with IFRS. We performed detailed testing on the valuation of the Russian business, and analysed the reasonableness of significant assumptions in relation to the operation of the business. We corroborated estimates of future cash flows and challenged whether they are reasonable and supported by the most recently approved Management budgets, including expected future performance of the stand-alone Russian business, and challenged whether these are appropriate in light of current macroeconomic expectations in the market. We evaluated the assumptions used by Management, including assessment of the Russian ruble conversion rate, free cash flow forecasts, long-term growth rates and the applied WACC, and tested the mathematical accuracy of the discounted cash flow model prepared by Management. We made use of our internal valuation specialists in the audit. Further, we assessed the appropriateness of presentation and disclosures, including sensitivity analyses prepared for the significant assumptions.

STATEMENT ON THE MANAGEMENT REVIEW
Management is responsible for Management's Review, pages 3-29.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

MANAGEMENT'S RESPONSIBILITIES FOR THE 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 (IFRS) as issued by the International Accounting Standards Board and in accordance with IFRS as endorsed by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Hellerup, 7 February 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
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