Carlsberg Breweries Group
Annual Report 2020

Carlsberg Breweries A/S
J.C. Jacobsens Gade 1
1799 Copenhagen V
Denmark
CVR no. 25508343

MANAGEMENT REVIEW

TO OUR SHAREHOLDERS

REVIEW AND EXPECTATIONS

STRATEGIC REVIEW

GOVERNANCE

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS

REPORTS

2020 AT A GLANCE

COMMITMENT AND RESILIENCE

COVID-19 presented significant challenges for our customers, people and business. We are proud of the great commitment of all our employees, which contributed to the resilience of the Group.

During the year, our top priority was the health and wellbeing of our employees, while at the same time taking the required actions to protect the health of our business.

Throughout the year, our on-trade customers in particular were severely impacted by the pandemic. We were impressed by the tremendous resilience and flexibility of our people, which allowed us to stabilise the business, support our customers and help societies. Read more about our wider response to the COVID-19 challenges on pages 6-8, including our specific actions in relation to societies and customers.

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.

A RESILIENT COMPANY

The significantly strengthened performance of the Group in recent years was a key prerequisite for the high degree of resilience – in terms of our organisation and people, our financial position and our portfolio – which helped us navigate through the uncharted waters of the pandemic.

ORGANISATION & PEOPLE RESILIENCE

Early on, we were able to build on and adapt the way we work as a company.

From the central office, we provided clear direction to the regions and markets with three priorities: protecting the health and safety of employees and maintaining service to customers; protecting operating profit and cash; and ensuring our readiness for better times. Subsequently, we empowered our country management teams to translate these priorities into local action plans – recognising that while the pandemic was global, government and consumer responses were very local.

Across the Group, our employees showed a high degree of flexibility and engagement, quickly adapting to the changing market environment and operating conditions, and finding safe and efficient ways of working. Be it in markets or functions, everyone went the extra mile, despite working under very difficult circumstances.

We are confident that being a purpose-driven company with a high level of employee satisfaction and engagement was crucial for our ability to navigate through these uncharted waters.

FINANCIAL RESILIENCE

As early as the beginning of the year, when COVID-19 hit China, we turned the focus onto reducing costs and preserving our top line.

Regarding costs, we were able to leverage OCM, our well-established cost management system, to identify and execute cost savings.

In terms of top line, our on-trade customers suffered and we saw a major channel shift – from on-trade to off-trade and e-commerce. Due to the lower volumes and the negative price/mix, revenue declined organically by 8.4%. Thanks to our cost reduction efforts, the organic decline in operating profit was confined to 3.5%, while reported operating margin increased by 60bp to 16.6%.

We entered the crisis with a strong balance sheet and an organisation skilled in proactive cash management. By maintaining focus on all elements of working capital and reducing non-essential CapEx, and supported by good earnings, we delivered a solid free cash flow of DKK 5.0bn.

Due to our efforts to protect operating profit and cash in 2020, net interest-bearing debt to EBITDA at the end of the year was 1.43.

Our strong financial position enabled us to continue to support and invest in our brands and activities. Examples include the launch of Tuborg line extensions in China and the launch of a new global communication platform for 1664 Blanc.

The financial position further allowed us to carry out inorganic transactions, including the acquisitions of Marston's brewing activities in the UK, Wernesgrüner Brewery in Germany and the purchase of the Brooklyn brand rights in our markets. We also merged our businesses in China.

PORTFOLIO RESILIENCE

In recent years, our SAIL'22 choices have improved the strategic health of the Group and made our markets and product portfolio more resilient. We have rationalised and strengthened our brand portfolio, and today we have an attractive portfolio of categories and brands. In particular, our investments in and focus on building the craft & speciality and alcohol-free brew categories have delivered strong growth.

Craft & speciality grew by 1%, despite the category being more skewed towards the severely impacted on-trade channel. Alcohol-free brews grew by 11%, supported by increased awareness of health and wellbeing among consumers, possibly fuelled by the pandemic.

RESPOND AND RESET

Our strategic priorities (see pages 6-8) remain valid and will be instrumental for our growth aspirations, although we expect the challenges and uncertainty of 2020 to continue for some time to come. Consequently, we are taking steps to reorient the company for the sustained uncertainty.

There are two elements to this. *Respond* is focused on being ready for and responsive to changes in consumer and customer demands. *Reset* addresses our cost base to align it with the changed market environment. Unfortunately, as part of this we have had to depart with good colleagues. Read more about *Respond* and *Reset* on pages 7-8.

ADVANCING SUSTAINABILITY

We are continuing to drive progress towards our ambitious targets in our sustainability programme Together Towards ZERO. To ensure the right focus for our activities, in 2020 we updated our materiality assessment and carried out a comprehensive water risk assessment in partnership with WWF.

Recognising the impact of climate change on our business, we have become a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). In this report, we take the first steps in disclosing climate-related risk to our business, using the TCFD framework.

As part of our annual reporting suite, along with the Annual Report and the Remuneration Report, our Sustainability Report contains a wealth of data, insights into our achievements to date and our future plans, a summary of which can be found in this report on pages 19-20.

CHANGES TO THE SUPERVISORY BOARD

At the Annual General Meeting, the Supervisory Board will propose Henrik Poulsen, former CEO of Ørsted, as a new member. The Supervisory Board will also propose that Henrik Poulsen become Deputy Chairman of the Supervisory Board, replacing Lars Fruergaard Jørgensen who is not standing for re-election at the Annual General Meeting.

THANK YOU

We will remember 2020 for the significant challenges presented to everybody by COVID-19. We are deeply impressed by the high level of engagement and commitment of our colleagues during the year. We want to take this opportunity to say thank you to each and every one – current employees and those who unfortunately had to leave the Group.

Finally, we would like to thank all our suppliers and customers – not least our highly-challenged on-trade customers – for their cooperation during the difficult times in 2020. We will continue to support our on-trade customers the best way we can and we hope for a brighter and more cheerful 2021.

Flemming Besenbacher	Cees 't Hart
Chair	CEO

Download the Carlsberg Group Sustainability Report

www.carlsberggroup.com/reports-downloads/carlsberg-group-2020-sustainability-report/

KEY FIGURES

FIVE-YEAR SUMMARY

	2020	2019	2018[1]	2017[1]	2016[1]
Volumes (million hl)					
Beer	110.1	113.0	112.3	107.1	116.9
Non-beer	20.0	21.9	20.8	19.2	21.9
DKK million					
Income statement					
Revenue	58,541	65,902	62,503	60,655	62,614
Gross profit	28,361	32,638	31,220	30,208	31,419
EBITDA	14,094	15,058	13,449	13,657	13,054
Operating profit before special items	9,718	10,524	9,368	8,962	8,301
Special items, net	-244	568	-88	-4,615	263
Financial items, net	-403	-728	-718	-774	-1,237
Profit before tax	9,071	10,364	8,562	3,573	7,327
Income tax	-2,240	-2,766	-2,395	-1,485	-2,402
Consolidated profit	6,831	7,598	6,167	2,088	4,925
Attributable to					
Non-controlling interests	778	908	824	806	371
Shareholder in Carlsberg Breweries A/S (net profit)	6,053	6,690	5,343	1,282	4,554
Statement of financial position					
Total assets	108,100	112,092	107,178	103,361	115,913
Invested capital	69,555	73,403	70,418	72,464	84,410
Invested capital excl. goodwill	27,269	28,479	27,695	30,173	39,752
Net interest-bearing debt (NIBD)	20,092	17,840	15,901	18,347	24,569
Equity, shareholder in Carlsberg Breweries A/S	28,815	32,124	34,848	32,672	40,580

1 Comparative figures for 2015-2018 and 2015-2016 have not been restated to include IFRS 16 and IFRS 15 respectively.

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.

		2020	2019	2018[1]	2017[1]	2016[1]
Statement of cash flows						
Cash flow from operating activities		10,866	12,285	12,103	11,855	9,601
Cash flow from investing activities		-5,867	-2,462	-5,875	-2,974	-796
Free cash flow		4,999	9,823	6,228	8,881	8,805
Investments						
Acquisition of property, plant and equipment and intangible assets, net		-4,386	-4,571	-4,006	-3,848	-3,814
Acquisition and disposal of subsidiaries, net		-2,409	-9	-974	268	1,969
Financial ratios						
Gross margin	%	48.4	49.5	50.0	50.0	49.8
EBITDA margin	%	24.1	22.8	21.5	22.5	20.8
Operating margin	%	16.6	16.0	15.0	14.8	13.3
Effective tax rate	%	24.7	26.7	28.0	41.6	32.8
Return on invested capital (ROIC)	%	10.5	10.3	9.5	7.9	6.7
ROIC excl. goodwill	%	27.1	25.4	23.7	17.3	13.8
Equity ratio	%	26.7	34.6	32.5	35.5	35.0
NIBD/equity ratio	x	0.61	0.40	0.42	0.47	0.57
NIBD/EBITDA	x	1.43	1.18	1.18	1.34	1.88
Interest cover	x	24.13	14.46	13.05	11.58	6.71
Dividend per share (proposed)	DKK	6,520	6,395	5,470	4,872	3,045
Payout ratio	%	54	48	51	190	33
Employees						
Full-time employees (average)		39,915	41,151	40,757	41,349	41,985

COVID-19

NAVIGATING UNCHARTED WATERS

The COVID-19 pandemic affected lives worldwide. From the beginning, we had three priorities: protecting our people, protecting earnings and cash, and preparing for the rebound.

Below, we summarise the impact of COVID-19 on our business and our mitigating actions – in light of our three priorities – during the year.

MARKET IMPACT

Beer is most often enjoyed in social settings, and markets across our regions were therefore impacted by restrictions and lockdowns, which prevented consumers from engaging in social activities. Some markets benefited from populations not being able to travel, while others suffered from lack of tourism or temporary ruralisation, as migrant workers left the cities.

ON-TRADE

For the Group, the on-trade channel accounts for around 25% of volumes (2019 figures). Exposure is at the same level in Western Europe, above average in Asia and very small in Eastern Europe. Across our markets, the on-trade in particular was affected by a range of government interventions, including lockdowns, restrictions on people gathering etc., although the length and severity of these measures differed between markets.

In local markets, we found ways to support our on-trade customers. These included support for developing on-line delivery and take-away platforms, and encouraging consumers to return to their on-trade outlet by donating free draught beer.

OFF-TRADE

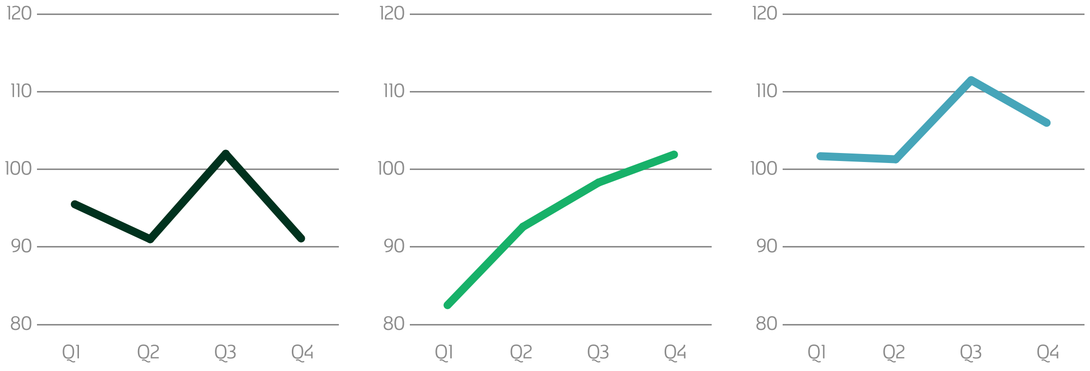
The impact on the off-trade varied significantly between markets, depending on government actions and their influence on consumer behaviour. In some markets, off-trade volumes grew by double-digit percentages, while other markets saw double-digit-percentage decline.

WESTERN EUROPE

ASIA

EASTERN EUROPE

ORGANIC QUARTERLY BEER VOLUME 2020 VERSUS 2019 (INDEX 100)



COVID-19 began affecting Western Europe from March, when lockdowns were initiated across most markets. Volumes in Q2 were severely impacted, while slow recovery was seen in Q3. In Q4, due to increases in infection rates, renewed government restrictions led to lower volumes.

Our markets in Asia were impacted by COVID-19 at different times and to varying extents. China was severely hit in Q1 but saw a strong rebound from Q2. Laos and Vietnam saw gradual improvement from late Q2, while India, Nepal and Malaysia suffered throughout the year.

Our business in Eastern Europe saw limited impact from COVID-19 given the low on-trade exposure in the region. The significant volume growth was particularly driven by Russia as a result of good weather and our changed commercial priorities due to a highly promotional market.

Overall, off-trade volumes increased, though not enough to offset the volume decline in the on-trade.

E-COMMERCE

During the year, we saw rapid acceleration on e-commerce and digital platforms. Our third-party e-commerce sales were up by approximately 60%, with particularly strong growth in Asia.

SUPPORTING OUR PEOPLE

During the year, our people worked under very difficult circumstances, whether at our breweries, in sales or from home. A total of 1,756 COVID-19 cases were recorded among our 40,000 or so employees. Very sadly, five employees died from the infection.

Our first priority was to protect the physical health of our people. In order to minimise the risk of infection, we implemented several initiatives. At the breweries, these included working in shifts and expanding the use of protective equipment. At our offices, we put in place rigorous procedures to minimise the risk of infection, and many employees worked from home.

Our second priority was to strengthen communication and safeguard the mental wellbeing of our people. We strengthened and increased our overall communication, including within the leadership team, setting priorities and aligning objectives across markets and functions. For the many employees required to work remotely, we offered virtual training and tools to help them cope with the new challenges.

We intensified the top management communication by introducing regular CEO video messages on the intranet, virtual townhalls and fireside chat with the Executive Committee.

SUPPORTING COMMUNITIES

During the crisis, it was very important for us to support and contribute to the communities as best as we could. In local markets, our businesses engaged in the production of hand sanitiser, donated protective and testing equipment and alcohol-free beverages to healthcare workers, and made financial donations to local organisations.

In addition, the Carlsberg Foundation made donations amounting to more than DKK 100m to support COVID-19-related research, culture and civil society.

SECURING THE FINANCIAL HEALTH OF THE BUSINESS

Group volumes were down organically by 3.8% and revenue/hl was -5%. The former was due to declines in Western Europe and Asia, while the latter was impacted by channel mix due to the decline in the on-trade as well as channel shift within the off-trade, increased demand for multipacks and mainstream brands, and country mix characterised by growth in markets with lower-than-average price levels.

Responding to the impact of COVID-19 on revenue, significant changes were implemented to safeguard the financial health of our company, both in terms of protecting the year's results and cash, and ensuring that we will be able to capture long-term growth opportunities.

SAFEGUARDING OPERATING PROFIT

As early as January, we started taking steps to reduce costs.

In the supply chain, we reduced the production planning cycle from one month to 1-2 weeks and the number of SKUs to increase flexibility in the light of unpredictable supply and demand. This led to sharper focus, less complexity and larger batch sizes.

We reinforced our Funding the Journey culture, accelerated efficiencies and initiated further cost reductions. A key enabler was our well-embedded Operating Cost Management (OCM) toolkit, with 15 specific cost groups for which we rigorously initiated actions and monitored savings and gap-closing progress. Our early actions led to significant cost reductions during the year, with savings achieved in almost all cost groups, including professional services, travel, entertainment, people and marketing spend. Some savings will be permanent, while others, including marketing, will not. Our many actions limited the organic decline in operating profit to 3.5%.

Notwithstanding COVID-19, our long-term strategic priorities and ambitions remain intact, and we continued to support and invest in our brands and activities to safeguard the long-term health of the Group and our growth opportunities.

PROTECTING CASH AND LIQUIDITY

To protect cash flow and secure strong liquidity and financial flexibility, the Group implemented several initiatives, such as further stepping up our trade working capital management and reducing or deferring capital expenditures.

In March, we established a new short-term bank credit facility, and in March and June respectively we issued two bonds at very attractive rates. Read about our financial performance, cash and liquidity on pages 9-11.

Our strong balance sheet, combined with the measures taken to protect cash and liquidity during the crisis, meant that the Group's financial position remained very strong throughout the year and that we were able to engage in M&A transactions despite the COVID-19 headwind.

PREPARING FOR THE REBOUND

The future remains uncertain, including the longer-term impact on the global economy and consumer spending. For the beer industry, the longer-term impact on the on-trade is uncertain, as are longer-term changes in consumer preferences in terms of channels, brands and price points.

While our SAIL'22 strategy (see pages 16-20) remains unchanged, we reshaped and reoriented our organisation and plans to allow us to meet the known and unknown challenges we will face going forward.

RESPOND FOR TOP-LINE GROWTH

We will respond to the challenges ahead of us by sharpening our focus and building increased flexibility into our planning. We are prioritising fewer brands and activities. Within core beer, we are intensifying the focus on our local power brands and international premium brands, such as Carlsberg and Tuborg. With respect to innovation, we are targeting our efforts towards more focused and efficient initiatives.

Using our value management approach, we will ensure that we hit the right price points. We are working with and supporting the on-trade to prepare for the new reality. In addition, we are investing in and expanding our e-commerce activities.

RESET FOR THE FUTURE
Recognising the need to reset, we initiated a review of our total cost base towards the end of the year. This led to a significant reduction in costs in our central, regional and support functions as well as in the supply chain. Unfortunately, this meant that we had to depart with valued colleagues.

In our markets, we are ensuring the right structures to accommodate a potentially smaller on-trade and changes within off-trade subchannels. We also scrutinised all other non-essential spending and anticipate targeted reductions going forward.

The learnings from the COVID-19 pandemic, including a high degree of flexibility, rapid adaptation to sudden and very new challenges, and new ways of working, have been positive. We are taking steps to ensure that these learnings are embedded in our future ways of working.

+8%
1664 BLANC VOLUME GROWTH

Despite COVID-19, in 2020 we continued to invest in our key strategic priorities, including the launch of a new global communication platform for 1664 Blanc – Good Taste with a Twist – in order to invigorate this iconic French speciality beer. The campaign modernises the brand's premium credentials and realigns it with its French heritage. Recognising COVID-19's impact on consumers' lives, an online video series, *Chef at Home*, was a key part of the new platform. The videos were produced to elevate stay-at-home moments by offering tasty yet simple recipes inspired by French cuisine but with a twist. When developing the campaign, our central team liaised with the brand's largest markets, including China and Russia. 1664 Blanc grew strongly in both markets.

SAIL'22 GROW CRAFT & SPECIALITY

GROUP

MARGIN IMPROVEMENT AND STRONG CASH FLOW

2020 was a challenging and very volatile year for the Carlsberg Breweries Group, significantly impacted by the COVID-19 pandemic.

As a result of the high level of volatility and uncertainty during the year, we had to suspend the full-year guidance in April and did not issue new guidance until August, after which we issued two earnings upgrades. See table on the right-hand side.

VOLUMES

Group beer volumes were 110.1m hl, declining organically by 2.8%, as they were impacted by COVID-19 in most markets. Non-beer volumes were 20.0m hl, declining organically by 8.7%. In addition to COVID-19, non-beer volumes were impacted by lower sales of soft drinks at the German/Danish border.

Total volumes declined organically by 3.8%, while reported decline was 3.6% due to the acquisition of Marston's brewing activities in the UK in October.

INCOME STATEMENT

Revenue was DKK 58.5bn. Organic decline was 8.4%. Revenue per hl declined organically by 5%. Price/mix was negatively impacted by country, channel, product and packaging mix, and in Russia by higher promotions. Reported revenue declined by 11.2% due to currencies, mainly related to the Russian, Norwegian and Chinese currencies.

Gross profit was DKK 28.4bn. The organic decline was 10%, while COGS per hl improved organically by 3%, positively impacted by efficiencies and country and product mix. The gross margin declined by 110bp to 48.4%, as supply chain efficiencies were not enough to offset the under-absorption of fixed costs and the channel and product mix. The gross margin was also impacted by country mix.

Operating expenses declined organically by 14% as a result of tight cost control enabled by our Operating Cost Management toolkit. The main areas in which costs fell were marketing, travel, supply chain and employee-related costs.

Reported operating expenses as a percentage of revenue declined by 210bp to 32.1%. Excluding marketing expenses, operating expenses declined organically by 13%.
Operating profit before depreciation, amortisation and impairment losses (EBITDA) declined by 2.3% organically and in reported terms by 6.4%. The EBITDA margin improved by 130bp to 24.1%.

Operating profit declined organically by 3.5%. We saw solid growth in Asia and Eastern Europe, while operating profit declined in Western Europe. Reported operating profit was DKK

Earnings expectations 2020

Date	Expectation for operating profit
4 February	Mid-single-digit percentage organic growth
2 April	Guidance suspended
13 August	Organic decline of 10-15%
17 September	High-single-digit percentage organic decline
27 October	Mid-single-digit percentage organic decline

		Change				Change
Volume (million hl)	**2019**	**Organic**	**Acq., net**	**FX**	**2020**	**Reported**
Beer	113.0	-2.8%	0.2%	-	110.1	-2.6%
Non-beer	21.9	-8.7%	0.0%	-	20.0	-8.7%
Total volume	**134.9**	**-3.8%**	**0.2%**	**-**	**130.1**	**-3.6%**
DKK million						
Revenue	65,902	-8.4%	0.3%	-3.1%	58,541	-11.2%
Operating profit before special items	10,524	-3.5%	-0.4%	-3.8%	9,718	-7.7%
Operating margin (%)	16.0				16.6	60bp

9.7bn, corresponding to a decline of 7.7%. The reported operating margin improved by 60bp to 16.6%.

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

Net special items (pre-tax) amounted to DKK -244m (2019: DKK +568m). Special items were positively impacted by reversal of provisions made in purchase price allocations in previous years, offset mainly by restructuring costs, including costs related to the Reset for the future initiative (see page 8, and impairment of brands, including the Angkor brand in Cambodia. Special items were also impacted by one-off costs related to COVID-19, including safety measures and donations. Read more about net special items in section 3.1 in the consolidated financial statements.

Financial items, net, amounted to DKK -403m against DKK -728m in 2019. Excluding currency gains and losses, financial items, net, amounted to DKK -542m (2019: DKK -640m), positively impacted by lower other financial expenses. Currency gains were mainly related to USD/EUR deposits in Eastern Europe. Read more about net financial items in section 4.1 in the consolidated financial statements.

Tax totalled DKK -2,240m against DKK -2,766m in 2019. The effective tax rate of 24.7% was positively impacted by the net impact of tax-exempt and non-deductible special items. Excluding these, the effective tax rate would have been 25.7%. Read more about tax in section 6 in the consolidated financial statements.

Non-controlling interests were DKK 778m (2019: DKK 908m), mainly impacted by challenging market conditions in Malaysia and the new Carlsberg Marston's Brewing Company in the UK, of which the Group owns 60%. Read more about non-controlling interests in section 5.3 in the consolidated financial statements.

The Carlsberg Breweries Group's share of consolidated profit (net profit) was DKK 6,051m against DKK 6,690m in 2019. The decline was due to lower operating profit and special items, partly offset by lower financial expenses, net, and the lower tax rate.

STATEMENT OF FINANCIAL POSITION

ASSETS

Total assets amounted to DKK 108,100m at 31 December 2020 (31 December 2019: DKK 112,149m). The decline was mainly due to lower intangible assets, property, plant and equipment and trade receivables, partly offset by an increase in cash.

Intangible assets amounted to DKK 54,852m at 31 December 2020 (31 December 2019: DKK 58,815m). The decline was mainly due to the depreciation of currencies in Eastern Europe and Asia.

Property, plant and equipment totalled DKK 26,148m (31 December 2019: DKK 27,458m). The decline of DKK 1,310m was primarily due to depreciation, lower CapEx and currencies.

Current assets amounted to DKK 20,176m (31 December 2019: DKK 18,874m). Trade receivables declined by DKK 1,604m, mainly attributable to lower sales due to COVID-19 and higher provisions for bad debt. Inventories of DKK 4,613m were slightly below last year (31 December 2019: DKK 4,751m). Cash and cash equivalents amounted to DKK 8,093m (31 December 2019: DKK 5,222m), positively impacted by the two EUR 500m bonds issued in March and June respectively.

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

EQUITY AND LIABILITIES

Equity

Equity amounted to DKK 32,869m at 31 December 2020 (31 December 2019: DKK 34,708m), DKK 28,813m of which was attributed to the shareholder in Carlsberg Breweries A/S and DKK 4,056m to non-controlling interests.

The net change in equity of DKK -1,839m was explained by the consolidated profit of DKK 6,829m, non-controlling interests of DKK 3,758m, which were impacted by fair value adjustments of contingent considerations, and acquisition of entities of DKK 1,027m, offset by the dividend payout, including non-controlling interests of DKK -4,009m and foreign exchange adjustment in other comprehensive income of DKK -7,640m.

Liabilities

Total liabilities were DKK 75,231m against DKK 77,383m at 31 December 2019. The decline was impacted by lower trade payables and other liabilities.

Long- and short-term borrowings increased by DKK 5,259m compared with 31 December 2019. The increase was due to the issuance of two EUR 500m bonds in March and June respectively. At 31 December 2020, long-term borrowings were DKK 29,291m (31 December 2019: DKK 20,879m) and short-term borrowings were DKK 968m (31 December 2019: DKK 4,121m). Section 4 in the consolidated financial statements contains more details on borrowings.

Tax liabilities, retirement benefit obligations etc. were DKK 17,007m (31 December 2019: DKK 22,088m). The decline was mainly due to fair value adjustments of contingent considerations.

Current liabilities excluding short-term borrowings decreased to DKK 27,965m (31 December 2019: DKK 30,295m). Trade payables declined by DKK 338m, impacted by currencies partly offset by trade payables acquired in connection with the acquisition of Marston's brewing activities in the UK. Other current liabilities, excluding deposits on returnable packaging, declined by DKK 889m, impacted by lower bonus accruals and VAT.

CASH FLOW

Free cash flow amounted to DKK 4,998m versus DKK 9,823m in 2019, mainly impacted by the lower EBITDA, a lower net contribution from the change in working capital and acquisitions.

Net cash flow amounted to DKK 3,246m (2019: DKK -331m). The increase from 2019 was mainly due to external financing of DKK 4,829m (2019: DKK -388m), impacted by two bond placings of EUR 500m in March and June and lower non-controlling interests of DKK -877m (2019: DKK -2,520m).

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities amounted to DKK 10,864m against DKK 12,285m in 2019.

EBITDA was DKK 14,092m (2019: DKK 15,058m).

The change in trade working capital was DKK +1,340m (2019: DKK +553m), mainly due to strong cash management discipline and lower trade receivables, the latter impacted by lower sales. Average trade working capital to revenue for the year was -18.6% compared to -16.7% for 2019, supported by the lower revenue.

The change in other working capital was DKK -1,132m (2019: DKK +544m), mainly impacted by lower VAT payable, change in provisions and a reclassification to trade working capital.

Restructuring costs paid amounted to DKK -529m (2019: DKK -445m). Net interest etc. paid amounted to DKK -412m (2019: DKK -884m). The decline was mainly due to the settlement of financial instruments. Corporation tax paid was DKK -1,980m (2019: DKK -2,246m). The decrease versus last year was mainly due to lower earnings.

CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities was DKK -5,866m against DKK -2,462m in 2019.

Operational investments totalled DKK -3,826m (2019: DKK -2,808m). In 2019, operation al investments were impacted by the disposal of the brewery sites in Norway and Germany.

Acquisition of property, plant and equipment and intangible assets (CapEx) amounted to DKK -4,386m (2019: DKK -4,571m). Excluding the purchase of the Brooklyn brand rights, CapEx declined by DKK 1.0bn to DKK 3.6bn due to lower sales CapEx, fewer returnable glass bottles, fewer investments in draught lines, and cancellations or postponements of non-business-critical projects.

Total financial investments amounted to DKK -2,040m (2019: DKK +346m). The increase was due to the acquisition of Marston's brewing activities, the prepayment for the acquisition of Wernesgrüner Brewery and lower dividends received. Read more about the acquisitions in section 5.2 in the consolidated financial statements.

RETURN ON INVESTED CAPITAL

Return on invested capital (ROIC) improved by 20bp to 10.5%, mainly driven by the lower effective tax rate and supported by lower capital employed. The latter was positively impacted by trade working capital, a lower CapEx/depreciation ratio and currencies.

ROIC excluding goodwill improved by 170bp to 27.1%.

FINANCING

At 31 December 2020, gross financial debt amounted to DKK 30,259m and net interest-bearing debt to DKK 20,092m. The difference of DKK 10,167m mainly comprised cash and cash equivalents of DKK 8,093m. At 31 December 2020, the average duration was 5.6 years.

The net interest-bearing debt/EBITDA ratio increased to 1.43x (1.18x at year-end 2019). Read more about net interest-bearing debt in section 4.2 in the consolidated financial statements.

Of the gross financial debt, 97% (DKK 29,291m) was long term, i.e. with maturity of more than one year from 31 December 2020.
To secure continued strong liquidity and financial flexibility, we issued a 10-year EUR 500m bond with a coupon of 0.625% on 4 March and a 7-year EUR 500m bond with a coupon of 0.375% on 16 June. 81% of the net financial debt was denominated in EUR and DKK (after swaps). Read more about our funding and liquidity in section 4.7 in the consolidated financial statements.

CAPITAL ALLOCATION

OPTIMAL CAPITAL ALLOCATION AND VALUE-ENHANCING ACQUISITIONS

SAIL'22 has clear priorities for how we intend to deliver shareholder value: by growing operating profit organically, improving return on invested capital and ensuring optimal capital allocation.

Our capital allocation principles are well defined:

1. Investing in our business to drive long-term sustainable growth.
2. Targeting NIBD/EBITDA of below 2.0x.
3. Distributing excess cash to the shareholder.
4. Deviating from the above if value-enhancing acquisition opportunities arise.

DELIVERING ON CAPITAL ALLOCATION PRINCIPLES

Despite the headwind posed by COVID-19, we delivered on these priorities again in 2020.

DRIVING LONG-TERM GROWTH

Responding to the impact of COVID-19 on revenue, significant changes were implemented to safeguard the financial health of our company, both in terms of protecting the year's results and cash, and ensuring that we will be able to capture long-term growth opportunities.

Consequently, we continued to support and invest in our brands and activities. Examples include the launch of Tuborg line extensions in China and the launch of a new global communication platform for 1664 Blanc.

LEVERAGE

Due to our efforts to protect operating profit and cash in 2020, net interest-bearing debt to EBITDA at the end of the year was 1.43.

This leverage was achieved even though we completed several M&A transactions during the year.

VALUE-ENHANCING M&A

We engaged in M&A transactions during the year, amounting to DKK 3.2bn in total.

In June, we acquired the rights to the Brooklyn brand in our markets.

In October, we completed the acquisition of Marston's brewing activities in the UK (see section 5.2 in the consolidated financial statements), and in Germany we acquired Wernesgrüner Brewery. In China, we merged our Chinese businesses.

2021 EARNINGS EXPECTATIONS

EARNINGS EXPECTATIONS

In most markets, the COVID-19 pandemic continues to impact business performance, which means a challenging start to 2021.

The uncertainty related to the extent and length of the pandemic, further government actions, consumer reactions and macroeconomic developments remains high and may have significant implications for business performance. As a result, 2021 guidance is:

- Organic growth in operating profit within the range of 3% to 10%.

The earnings outlook is based on the following assumptions related to COVID-19:

- In Western Europe, the on-trade channel will likely be impacted by restrictions well into Q2, with a gradual recovery of the on-trade during the quarter. We are assuming that most restrictions will be lifted before the summer season.
- In Asia, the impact of COVID-19 varies by market. The Chinese market is assumed to be back to its normal trajectory, though with some local disruptions, including during the Chinese New Year celebrations. In other markets, such as India and Nepal, the situation remains very difficult and highly volatile, though in most markets we are assuming a slow recovery during H1, driven by a gradual lifting of restrictions.
- In Central & Eastern Europe, the markets in the southern part of the region, which have relatively higher on-trade exposure, will likely continue to be impacted by restrictions well into Q2, though we are assuming that most restrictions will be lifted before the summer season. In Russia, the on-trade channel is relatively small. However, consumer sentiment is increasingly being impacted by the consequences of the pandemic, and the competitive environment remains fierce.

Based on the spot rates at 4 February, we assume a translation impact of around DKK -200m for 2021.

Other relevant assumptions are:

- Financial expenses, excluding currency losses or gains, are expected to be around DKK 600m.
- The reported effective tax rate is expected to be around 25%.
- Capital expenditure at constant currencies is expected to be DKK 4.0-4.5bn.

Forward-looking statements

This Annual Report contains forward-looking statements. 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.

This is particularly relevant in 2021, due to the very high uncertainty related to the continuing development and impact of COVID-19.

Accordingly, forward-looking statements should not be relied on as a prediction of actual results. Please see page 28 for the full forward-looking statements notice.

PURPOSE AND AMBITION

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 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 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.

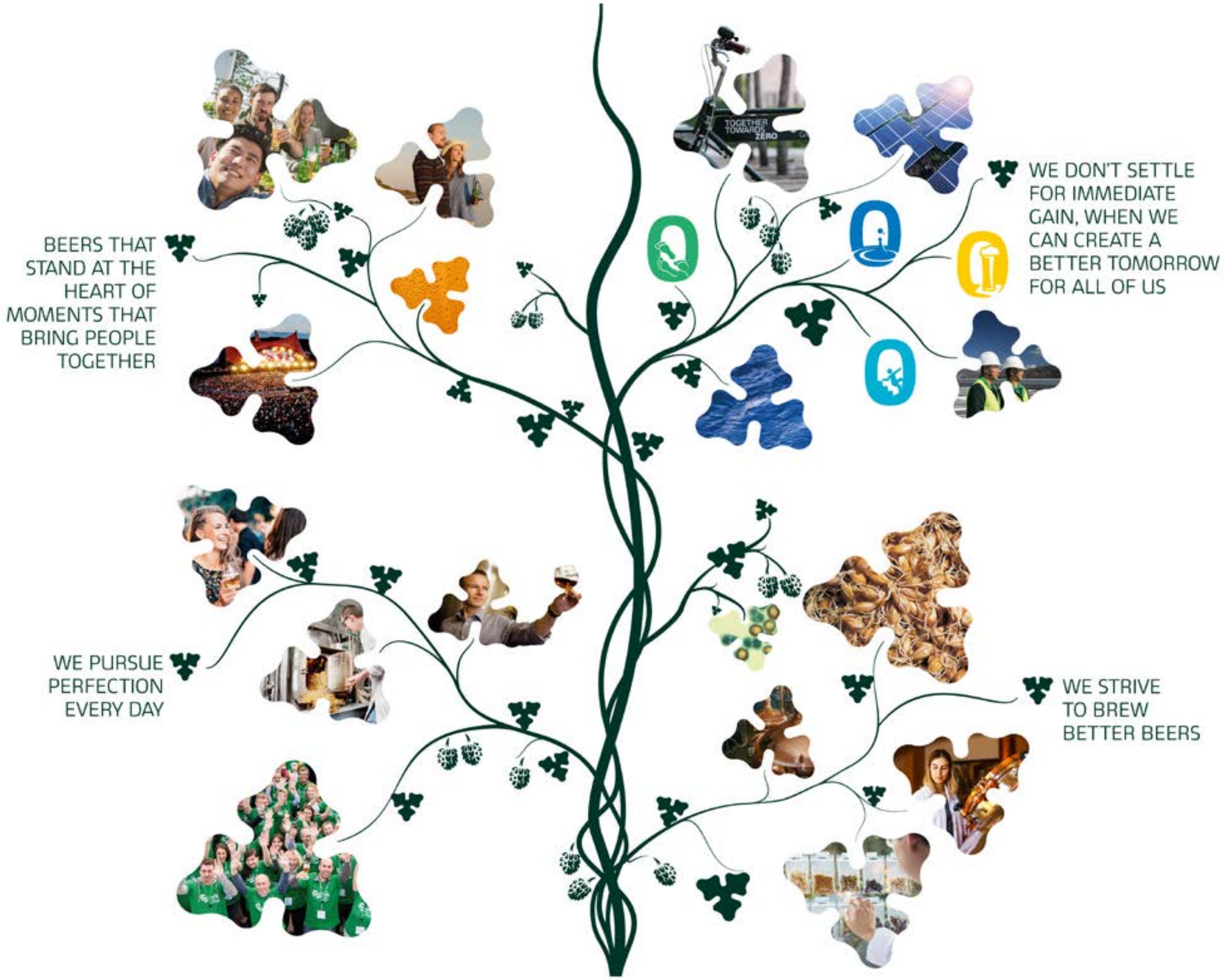
Our purpose demonstrated its value during the challenges of COVID-19. It was impressive to witness the high level of employee engagement and the innovative mindset at all levels of the organisation to help local communities, support our customers and minimise the impact of the pandemic on our business, while at the same time finding flexible and safe ways of working.

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

Successful in achieving a sustainable balance of the Golden Triangle by improving long-term volumes, margins and earnings.

Professional in being the preferred supplier for our customers.

Attractive in creating value for our shareholders, facilitating a great working environment and high-performance culture for our employees, and being a responsible and sustainable corporate citizen for society at large.



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 24 markets in Western Europe, Asia and 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 excellent craft & speciality brands, alcohol-free brews and international beer brands.

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.

Our integrated supply chain focuses on optimising cost and asset utilisation and mastering cross-functional processes, 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 sets clear and ambitious targets for carbon emissions, water usage and health & safety.

OUR STRATEGY

SHARPENED STRATEGIC FOCUS

While COVID-19 had a significant impact on our business in 2020, our SAIL'22 strategy proved resilient during the pandemic.

We introduced our seven-year strategy – SAIL'22 – in 2016.

The key elements of SAIL'22 are shown below.

The strategic priorities are further outlined in the 2016 Annual Report, available online at www.carlsberggroup.com.

STRATEGY REMAINS

COVID-19 was a stress-test for SAIL'22 and our strategic priorities, which proved resilient during a very challenging year. Notwithstanding the fact that we are now five years into the SAIL'22 period, we continue to see many opportunities within the framework, and we fully expect to keep our strategy for all seven years.

SHARPENING FOCUS

Each year, specific opportunities and plans evolve. In addition, COVID-19 made new emphases appropriate. While staying in line with our strategic priorities, we will further sharpen our focus on key brand, category and channel priorities, aspire to even better in-market execution, maintain even tighter control of costs, and develop even more flexibility in our ability to plan and amend plans.

This will require us to continuously evolve the way we best achieve our winning, team-based performance culture.

On the following pages, we provide further detail on the role and impact of our strategic priorities in 2020.

STRATEGIC PRIORITIES IN SAIL'22

STRENGTHEN THE CORE

Leverage our strongholds
Excel in execution
Funding the Journey culture

POSITION FOR GROWTH

Grow craft & speciality
Win in alcohol-free brews
Grow in Asia

CREATE A WINNING CULTURE

Team-based performance
Together Towards ZERO
Live by our Compass

DELIVER VALUE FOR SHAREHOLDERS

Organic growth in operating profit
ROIC improvement
Optimal capital allocation

STRENGTHEN THE CORE

The importance of strong market positions, local power brands, execution capabilities and, in particular, our ability to control costs became evident in 2020.

CHANGES IN CONSUMER BEHAVIOUR...

Across our markets, COVID-19 drove changes in consumer behaviour, with increased demand in the off-trade for more mainstream brands and multipack offerings at the early stages of the pandemic, changing towards a pick-up of demand for more premium offerings later on. In addition, online shopping saw significant growth rates.

... EMPHASISED THE IMPORTANCE OF OUR CORE BUSINESS

Our focus on strengthening our core business was amplified by the pandemic, as seen by the strength of our local power brands, our improved digital capabilities and, in particular, our well-embedded Funding the Journey culture with its relentless focus on costs and efficiency.

SAIL'22
STRENGTHEN THE CORE

LEVERAGING LOCAL POWER BRANDS

Our local power brands are an important part of our business. These brands have long histories and deep roots in their local markets. Aside from seeing increased interest from consumers looking for more authenticity, we premiumise the local power brands by launching "crafty" line extensions and alcohol-free variants. While results in 2020 were impacted by COVID-19, the resilience of these brands was evidenced by growth brands such as Frydenlund (Norway), Astra (Germany), Pirinsko (Bulgaria), Dali and Wusu (China), Baltika and Zatecky Gus (Russia) and Derbes (Kazakhstan).

SAIL'22
LEVERAGE OUR STRONGHOLDS

GROWING IN RUSSIA

2020 was a strong year for our Russian business in terms of volumes and market share. In response to high competition pressure in the market, we took significant promotional actions to protect our volumes and improve our market share. At the same time, we pursued the SAIL'22 growth priorities of craft & speciality and alcohol-free brews and stepped up our commercial capabilities, resulting in volume growth of 9%.

SAIL'22
FUNDING THE JOURNEY CULTURE

OCM AND CASH MANAGEMENT

Our Funding the Journey culture, with its focus on costs and cash, played a key role in 2020. As part of this, we have in recent years successfully implemented our Operating Cost Management (OCM) toolkit across the Group, improving our cost planning, increasing transparency and enabling detailed follow-up on operating costs. We began taking actions to offset the negative top-line impact of COVID-19 when the virus hit China very early in 2020. When the disease turned into a pandemic, we intensified our cost reduction actions, successfully leveraging our OCM toolkit, which played a key role in reducing the negative impact on earnings. See pages 13 and 15.

SAIL'22
EXCEL IN EXECUTION

EXPANDING DIGITAL

COVID-19 drove a rapid acceleration of e-commerce and digital platforms. Albeit still from a low base, third-party e-commerce sales were up by around 60%, mainly driven by Asia. Carl's Shop – our B2B e-commerce platform – also showed very good results. The ability to use advanced analytics to tailor the most relevant experience for each on-trade customer helped to grow value per order and strengthen customer loyalty.

POSITION FOR GROWTH

Although growth was hampered by COVID-19, we continued to support the growth priorities of SAIL'22.

RESILIENT PERFORMANCE FOR OUR GROWTH CATEGORIES...

On-trade is an important channel for the craft & speciality (C&S) category. Despite the severe impact of government restrictions, our C&S portfolio grew by 1%. Our alcohol-free brews (AFB) grew by 11%, with continued growth in Western and Eastern Europe, while the category remained small in Asia. AFB benefited from increasing consumer awareness of health and wellbeing, further amplified by COVID-19.

... WHILE MANY MARKETS IN ASIA WERE UNDER PRESSURE

All markets in Asia were impacted by COVID-19, albeit at different speeds and magnitudes. Following a difficult Q1, we saw strong performance in China, and we remain confident that the region will rebound once the pandemic has been contained.

SAIL'22
GROWING CRAFT & SPECIALITY AND ALCOHOL-FREE BREWS

DRAUGHTMASTER DRIVING PREMIUMISATION

The roll-out of DraughtMaster across Western Europe continued and was almost completed in the Nordics, while trials were initiated in Asia. In 2020, we improved the equipment with a digital layer, delivering unique real-time consumption data. While volumes were impacted by COVID-19 restrictions, these actually served to further highlight the customer advantages of DraughtMaster, with less beer expiring thanks to the 31-day keg life and faster re-opening thanks to the self-cleaning system. DraughtMaster outlets also benefited from a better mix of C&S compared with outlets with traditional steel keg installations.

SAIL'22
WIN IN ALCOHOL-FREE BREWS

GROWING ALCOHOL-FREE BREWS

Our alcohol-free brews are wide-ranging, including lagers, IPAs and wheat beers. We are targeting new as well as already penetrated consumer occasions, leveraging our core beer and C&S brands to drive growth for our alcohol-free volumes. Poland is a good example of this strategy, with Somersby, Zatecky and Okocim alcohol-free variants all driving local AFB volume growth of 42% in 2020.

SAIL'22
GROW CRAFT & SPECIALITY

INVESTING IN BROOKLYN

Our cooperation with Brooklyn dates back to 2004, when we began importing the brand to Denmark. Since then, we have developed a close cooperation with this great New York craft brewer. In 2020, we further strengthened the collaboration when we acquired the rights to the Brooklyn brand in our markets. The deal will reduce complexity and increase profitability, supporting future growth of the brand.

CREATE A WINNING CULTURE

2020 was a defining year for our winning culture, passing the test during the immense challenges of the COVID-19 pandemic.

Our Sustainability Report contains extensive reporting on our winning culture. It describes our approach and performance in relation to our most material social, environmental and ethical issues, including progress against the four ambitions of our sustainability programme, Together Towards ZERO. The report also elaborates on how we Live by our Compass and conduct our business responsibly, and how we support and develop our team-based performance culture.

The Sustainability Report carries an assurance statement by PwC on selected indicators. It serves as our annual Communication on Progress to the United Nations Global Compact and is, as such, our disclosure in accordance with section 99a of the Danish Financial Statements Act.

SAIL'22
TEAM-BASED PERFORMANCE

ENGAGING WITH EMPLOYEES

The flexibility, agility and ability of our people to quickly adjust to the new reality that affected all areas of our business is a testimony to the embedding of our team-based, performance-driven culture across all our markets and functions. During the year, our focus was on the physical safety and mental wellbeing of colleagues, and we conducted local pulse surveys to check on employee wellbeing and enable local leaders to respond to COVID-19 challenges and better support their teams.

SAIL'22
LIVE BY OUR COMPASS

ZERO TOLERANCE TO HARASSMENT

Everyone must be treated with respect in our workplace and we have a zero tolerance approach to bullying, abuse, threats or any form of harassment, whether it be physical, verbal, sexual or psychological. Our Code of Ethics & Conduct protects this value and clearly states the consequences if anyone breaks the rules. We support and encourage anyone who may have experienced harassment to talk to their manager, their manager's manager or their local HR team – or to report it via our confidential Speak Up line – so we can take action.

SAIL'22
TOGETHER TOWARDS ZERO

PROMOTING SUSTAINABLE AGRICULTURE

Our business depends on a long-term, sustainable supply of crops, mainly barley and rice. We invest in next-generation crops through the work of scientists at the Carlsberg Research Laboratory. Their ground-breaking efforts include developing high-yielding barley varieties with additional sustainable process benefits, accounting for significant CO_2 savings when fully implemented.

Novel climate-tolerant varieties are also being developed that offer improved heat tolerance, salinity tolerance and drought resistance. Several promising genetic variants are currently being evaluated in drought trials in Australia and Russia, where we are seeing more than 10% higher yield levels with limited water supply. A specific focus has also been obtaining barley varieties targeting the very fertile soils in Russia, resulting in malting barley varieties with extract levels 1-2 percentage points higher than those of standard elite varieties.

SAIL'22
LIVE BY OUR COMPASS

TARGETING BRIBERY AND CORRUPTION

We consider any form of bribery to be dishonest, morally wrong and unacceptable. Our Anti-Bribery and Corruption Policy and manuals spell out our zero-tolerance approach and guide employees on what constitutes a bribe and how to deal with specific situations. In 2020, we introduced new online training on anti-bribery and corruption for people in roles such as sales, procurement and finance. Over 19,100 employees completed the course, which includes real-life examples, experiences and dilemmas.

SAIL'22
TOGETHER TOWARDS ZERO

REDUCING WATER WASTE

Our dedicated team at the Dazhulin brewery in China has made it its mission to dramatically reduce water waste. Applying best practices from across the Group, it reduced the amount of water used to produce a hectolitre of beer by 18% – from 2.7 to 2.2 hl/hl – in just four months. This brings the brewery close to achieving our 2022 target to explore going below 2.0 hl/hl at sites with high water risk. Saving water also means saving energy, and combined with a move to 100% renewable electricity, the efficiencies almost halved the brewery's carbon emissions.

TOGETHER TOWARDS ZERO

ZERO CARBON FOOTPRINT

Our ambitious carbon targets, approved by the Science-Based Targets Initiative, are in line with the latest climate science to limit global warming to 1.5°C. In 2020, we reduced relative brewery carbon emissions by 12%. Since 2015, our relative brewery carbon emissions are down by 39% while our full relative value chain (beer-in-hand) emissions have been reduced by 7%.

ZERO WATER WASTE

Water is an essential ingredient in our products, and other key ingredients like grains and hops need it to grow. At 2.8 hl/hl in 2020, we have made a 18% improvement in water efficiency from our 2015 baseline. We assessed water risk across 81 of our breweries using WWF's leading Water Risk Filter tool and also used its scenario analysis tool to understand our global water risk in a changing climate.

ZERO IRRESPONSIBLE DRINKING

Our targets include 100% distribution of alcohol-free brews to expand consumer choice and 100% of our markets to improve on responsible drinking year on year. All our beers and ciders carry messages or icons advising consumers not to drink-drive and not to drink when underage or pregnant. In 2020, ingredients were listed on 99% of our packaging globally, while nutritional information was provided on 67%.

ZERO ACCIDENTS CULTURE

The health and safety of our people always come first, and we believe all accidents are preventable. We manage key risks through our health and safety management systems, stringent standards, training and compliance with our Life Saving Rules. In 2020, the lost-time accident rate declined to 3.0 from 3.7 in 2019. However, we deeply regret the death of a contract worker in Russia.

MEASURING OUR PROGRESS

STRENGTHEN THE CORE AND POSITION FOR GROWTH

GROSS BRAND CONTRIBUTION FROM CORE BEER

2018: +6%
2019: +3%
2020: -7%

Core beer accounts for 82% of own beer revenue and is key to our 24 no. 1 or 2 market positions. Ensuring continued relevance of our local power brands, including premiumisation, is an important part of the core beer priority of SAIL'22. We measure our success by our ability to grow gross brand contribution from core beer. Impacted by COVID-19, growth in recent years was not repeated in 2020, declining by 7%.

WIN IN CRAFT & SPECIALITY

2018: +26%
2019: +16%
2020: +1%

Craft & speciality is an attractive category across our regions, driven by global consumer trends of premiumisation, authenticity and heritage. Positively contributing to price/mix and margins, our ambition is to grow the category. The strength of our brands became clear in 2020, when our craft & speciality portfolio volumes grew by 1% despite the negative impact on the important on-trade channel from COVID-19.

WIN IN ALCOHOL-FREE BREWS

2018: +15%
2019: +7%
2020: +11%

Alcohol-free brews continued to grow in Western and Eastern Europe, further supported in 2020 by increased consumer health awareness due to COVID-19. Our attractive portfolio of alcohol-free brews leverages the well-established market position of our local power brands. In 2020, total volume growth of our alcohol-free brews was 11%, with growth of 16% in Western Europe and 14% in Eastern Europe.

GROW IN ASIA

2018: +15.8%
2019: +23.4%
2020: +5.0%

In 2020, Asia accounted for 31% of Group volumes and 36% of operating profit. Growing in Asia, and particularly China, is a priority of SAIL'22. China recovered impressively from COVID-19, as did Laos, while markets such as India, Nepal and Malaysia suffered throughout the year. We saw strong growth for 1664 Blanc, while Tuborg was impacted by the severe market decline in India. Operating profit grew organically by 5.0%.

DELIVER VALUE FOR SHAREHOLDERS

ORGANIC GROWTH IN OPERATING PROFIT

2018: +10.4%
2019: +10.7%
2020: -3.5%

We aim to deliver organic growth in operating profit by delivering top-line growth and margin improvement. In 2020, COVID-19-related lockdowns and restrictions prevented us from continuing the organic growth trajectory of recent years. Our relentless focus on costs and early intervention enabled us to partly offset the top-line decline, containing the organic operating profit decline to 3.5%.

ROIC IMPROVEMENT

2018: +160bp
2019: +80bp
2020: +20bp

We aim to continuously improve return on invested capital (ROIC) by improving earnings and reducing invested capital. In 2020, ROIC improved by 20bp to 10.5%, mainly driven by the lower effective tax rate and supported by lower capital employed. The latter was positively impacted by trade working capital, a lower CapEx/depreciation ratio and currencies. Excluding goodwill, ROIC increased by 170bp to 27.1%.

OPTIMAL CAPITAL ALLOCATION

2018: 1.18x
2019: 1.18x
2020: 1.43x

Our capital allocation targets include NIBD/EBITDA of below 2.0x. At the end of 2020, NIBD/EBITDA was 1.43x.

MANAGING BUSINESS RISKS

In conducting our business and executing our strategy, we seek to manage risks in such a way as to minimise their threats while making the best use of their opportunities.

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

GOVERNANCE STRUCTURE

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

While recurring risks are evaluated on a quarterly basis, monitoring is mainly performed in connection with the half-year reviews.

The Audit Committee has adopted guidelines for key areas of risk, 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 activities in both the Carlsberg and Carlsberg Breweries Groups.

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

MID- AND LONG-TERM RISK ASSESSMENT

A review of mid- and long-term risks is conducted annually at Group level.

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, macroeconomic and geopolitical environment, reputation, supply chain and climate.

Based on this risk identification, ExCom will evaluate and assess the Group's risk exposure, applying our two-dimensional heat map methodology, and determine appropriate actions.

IDENTIFIED RISKS FOR 2021

RISKS WITH HIGHEST POTENTIAL IMPACT AND LIKELIHOOD

- Impact from COVID-19
- Economic instability/recession
- Partnerships
- Legal and regulatory compliance
- Cyber and IT security
- Tax

OTHER IDENTIFIED RISKS

- Regulatory changes, incl. duties
- Financial flexibility
- Strategy execution
- Western Europe operating model
- Business interruption

RISKS IDENTIFIED FOR 2021

The identified risks for 2021 are shown in the box on the previous page.

Based on the heat map assessment, the six highest ranked risks are elaborated 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 or decreased, or remains unchanged, versus last year.

IMPACT FROM COVID-19

Risk movement

New.

Description

COVID-19 continues to affect our people and our business. While government interventions vary by geography, lockdowns and other restrictive measures affect off-take in both the on-trade and off-trade channels. Further, supply chains may be impacted by raw material shortages and the ability to brew and distribute our products. Depending on geography and go-to-market models, our markets may therefore be impacted in terms of volume, mix, margin and cash flow performance.

Despite the distribution of vaccines, we therefore anticipate a prolonged impact in 2021 from COVID-19.

Mitigation

Our first priority will remain the health and safety of our employees.

In 2021, our operating plan is based on our SAIL'22 priorities. In addition, we will continue to apply the learnings and ways of working from 2020. These include more frequent planning cycles, utilising our sales and operation planning (S&OP) practices to enable fast adaptation and response to changing market demand and supply-chain circumstances.

Further, we will continue our scenario planning for the mid term, pre-empting multiple possible outcomes in terms of business impact.

Based on the scenario planning, we will continue to protect our operating profit and cash position, leveraging Funding the Journey, including our Operating Cost Management (OCM) toolkit. Read more about our cost mitigation actions in 2020 on pages 7 and 9.

Our actions and activities will continue to be tailored to local markets to ensure an appropriate response to country-specific challenges and situations.

MACROECONOMIC UNCERTAINTY/ RECESSION

Risk movement

Increase versus last year.

Description

In continuation of the COVID-19 risk, the pandemic has led to increased macroeconomic uncertainty.

Although the consequences for our business may be more longer-term, we must prepare now for this greater uncertainty.

Mitigation

Due to the current market volatility, our planning is more short-term and highly flexible to allow appropriate actions within a short time horizon.

When the pandemic is under control, we will again become more longer term and reinstate our more thorough three-year planning cycle with its quarterly reviews and updates, while continuing to embed the positive learnings of COVID-19 and benefiting from the actions taken to reset our business and reduce costs (see pages 7-8).

PARTNERSHIPS

Risk movement

Decrease 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.

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.

Our partners' potential pursuit of goals and priorities different from those of the Group might result in disagreements, thereby affecting operational and financial performance.

See section 5.1 in the consolidated financial statements for further details of our partnerships and the related financial risks.

Mitigation

The Group continuously seeks to promote a fair and mutually beneficial development of the partnerships in order to ensure their continued 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 effective and fast 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 anti-bribery & corruption regulations and trade sanctions. Failure to comply with regulations and Group policies may lead to fines, claims, and brand and reputation damage.

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 3.3 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 update relevant Group legal and compliance policies, and conduct compulsory training of all relevant employees.

We actively set a strong tone from the top and have developed toolkits to help managers in all markets to understand their role in shaping ethical behaviour every day.

We have stepped up our training approach and updated our e-learning modules in the areas of anti-bribery & corruption, competition law and data protection, the latter to reflect GDPR requirements. Employees are required to complete these e-learning modules on an ongoing basis in order to further create awareness of relevant risks and how to mitigate them.

In 2021, we will review, simplify and rationalise the suite of compliance policies, manuals, guidance etc. to facilitate greater understanding and awareness by the wider business of the behaviour expected of all employees to reduce compliance risk. In addition, we will further enhance the compliance control framework.

Read more about our compliance efforts in the Responsible Business section of the Sustainability Report.

CYBER AND IT SECURITY

Risk movement
Unchanged versus last year.

Description
Like all other businesses, the Carlsberg Breweries 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 IT security organisation has regular dialogue with the Supervisory Board and ExCom to agree on risk mitigation plans and activities.

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

To further progress our protection against cyber security threats, a Chief Information Security Officer was appointed to lead an independent cyber security function within our IT organisation.

Furthermore, we are developing and deploying a wide array of advanced defensive technologies, as well as continuing to embed our risk management framework at all layers of the organisation.

We undertake regular testing of our security controls via an ongoing series of technological audits and breach simulations.

TAX

Risk movement
Unchanged versus last year.

Description
Given the Group's international presence and business set-up, its activities involve a high level of cross-border and inter-company transactions as well as different legal structures within and across markets.

The increasing focus on corporate tax payments may increase the risk of tax audits, which could lead to reassessments of taxable income.

In addition, changes in the legal and regulatory environment, as well as internal structures, may increase the risk of non-compliance with local and global tax laws and regulations.

Mitigation
The Group generates substantial revenues for governments through payment of corporate income tax, withholding taxes and indirect taxes such as excise duties. We pay taxes as required by law, and the foundation for handling our tax affairs is our Tax Policy, which stipulates good corporate citizenship and tax transparency.

In 2020, we updated our Tax Policy to align with best practice and ensure common understanding across the Group. The Tax Policy is approved by the Supervisory Board, while the Executive Committee exercises oversight of the tax affairs in the Group.

We are continuously strengthening our tax control framework and improving reporting transparency. This includes documentation of inter-company transactions to ensure compliance with tax legislation and improving data quality for VAT and product classification for excise duties.

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.

The basis of our corporate governance includes in particular the Danish Companies Act, the Danish Financial Statements Act, IFRS, the EU Market Abuse Regulation, Nasdaq Copenhagen A/S' rules for issuers of shares, local legislation, the Company's Articles of Association and the rules of procedure for the Supervisory Board.

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

The Group has policies for a number of key areas, including, but not limited to, anti-bribery & corruption, labour & human rights, diversity & inclusion, competition law, trade sanctions, data protection, 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 – STATEMENT IN ACCORDANCE WITH SECTION 99B OF THE DANISH FINANCIAL STATEMENTS ACT

For our reporting on diversity in accordance with section 99b we refer to the Management Review in the 2020 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 Breweries Group's control environment.

The Audit Committee is responsible for monitoring the effectiveness of the internal control and risk management systems 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 and 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 control framework for financial reporting is designed to reduce and mitigate financial risks identified and ensure reliable internal and external financial reporting. It defines who is responsible and provides assurance that key risks are covered by mitigating internal control assertions.

As a consequence of the Group's growth due to acquisitions, systems and processes are not standardised across entities. The current state of the control environment has improved in 2020 and is at an acceptable level, but not yet where the Group wants it to be.

The Group will continue to strengthen the control environment through further standardisation, increased automation, strong analytics and transparent governance.

The framework is monitored through entities' self-assessment of the effectiveness of the implemented controls and continuous testing of performance by an established central internal control team. The monitoring of the performance of the controls focuses on the quality of the controls, the effectiveness with which they are performed and the efficiency of the overall controlling processes.

RISK ASSESSMENT

With the implementation of the 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 document transaction processes and the controls in place to cover the key risks identified. The minimum requirements for documenting the risks must be set out in the framework and visualised in the processes.

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.

CONTROL ACTIVITIES

The Group has implemented a formalised financial reporting process for the strategy 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.

During 2019, a programme was initiated for most entities in Western Europe aimed at standardising financial reporting processes and implementing various tools. The programme was carried out as planned in 2020 and will continue in 2021.

The Group has established a quality assurance team in order to ensure the quality of the controls that are part of the outsourced processes, including their performance.

INFORMATION AND COMMUNICATION

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 have mapped controls on segregation of duties to implement necessary compensating controls, and are now implementing stronger remediated controls for segregation of duties in the ERP systems.

MONITORING

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 on an annual basis and approved by the Audit Committee.

Taking into account the annual review of business risks, an internal audit plan is drawn up for the year. The plan is reviewed and approved by the Audit Committee. In 2020, Group Internal Audit conducted audits mainly in the areas of financial reporting controls, compliance (internal and external regulation), information technology and third-party risk management.

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 and 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 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 also contains an overview of other open and closed investigations and the time taken to resolve cases.

The Misconduct Investigation Handbook was updated in 2020 to clarify how investigations should be undertaken. During 2019, there was also a campaign to raise awareness of the various Speak Up channels available. A new campaign will be launched in 2021.

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 and Conduct and/or Group policies.

The incidents have not had any material impact on the financial results of the Group except for those items recognised in the statement of financial position.

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

SUPERVISORY BOARD MEMBERS

FLEMMING BESENBACHER

CHAIR (SINCE 2019)
Nationality: Danish
Year of birth: 1952
Appointed (until): 2012 (2021)

BOARD FUNCTION
Non-executive. Appointed by Carlsberg A/S.

PROFESSION
Professor, D.Sc., h.c. mult, FRSC; Chair of the Board of Directors of the Carlsberg Foundation and Chair of Carlsberg A/S.

OTHER COMPANY BOARD POSITIONS
Chair of the Board of Directors of Aarhus Vand. Member of the Board of Directors of Unisense.

LARS FRUERGAARD JØRGENSEN

DEPUTY CHAIR (SINCE 2019)
Nationality: Danish
Year of birth: 1966
Appointed (until): 2019 (2021)

BOARD FUNCTION
Non-executive. Appointed by Carlsberg A/S.

PROFESSION
President & CEO, Novo Nordisk and Deputy-Chair of Carlsberg A/S.

OTHER COMPANY BOARD POSITIONS
None other than Carlsberg A/S.

CEES 'T HART

CEO
Nationality: Dutch
Year of birth: 1958
Appointed (until): 2015 (2021)

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. Cees is Chair of the Supervisory Board of KLM and a member of the Board of AFKLM.

HEINE DALSGAARD

CFO
Nationality: Danish
Year of birth: 1971
Appointed (until): 2016 (2021)

PRIOR EXPERIENCE
Heine joined the Carlsberg Group from ISS, one of the world's largest facility services companies. He went to ISS in 2013, prior to the company's IPO in 2014. Before ISS, he was Group CFO at Grundfos. Heine's previous experience includes various senior management and financial positions at Carpetland, Hewlett Packard and Arthur Andersen. Heine is member of the Board of Directors and Chair of the Audit Committee of Novozymes.

THOMAS PALUDAN-MÜLLER

Nationality: Danish
Year of birth: 1972
Appointed (until): 2020 (2022)

BOARD FUNCTION
Employee representative.

PROFESSION
Director Liquid & Packaging Implementation, Carlsberg Breweries A/S.

OTHER COMPANY BOARD POSITIONS
None.

EVA VILSTRUP DECKER

Nationality: Danish
Year of birth: 1964
Appointed (until): 2014 (2022)

BOARD FUNCTION
Employee representative.

PROFESSION
Senior Director Customer Service & Sourcing, Carlsberg Breweries A/S.

OTHER COMPANY BOARD POSITIONS
None other than Carlsberg A/S.

EXECUTIVE BOARD

CEES 'T HART

CEO OF CARLSBERG A/S AND CARLSBERG BREWERIES A/S

HEINE DALSGAARD

CFO OF CARLSBERG A/S AND CARLSBERG BREWERIES A/S

The Supervisory Board Chair and Deputy Chair as well as the executive 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 political uncertainty (including interest rates and exchange rates), financial and regulatory developments, demand for the Group's products, increasing industry consolidation, competition from other breweries, the availability and pricing of raw materials and packaging materials, cost of energy, production- and distribution-related issues, information technology failures, breach or unexpected termination of contracts, 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

CONSOLIDATED FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS

REPORTS

SECTION 1
OPERATING ACTIVITIES

SECTION 2
ASSET BASE AND RETURNS

SECTION 3
SPECIAL ITEMS AND PROVISIONS

SECTION 4
FINANCING COSTS, CAPITAL STRUCTURE AND EQUITY

SECTION 5
ACQUISITIONS, DISPOSALS, ASSOCIATES AND JOINT VENTURES

SECTION 6
TAX

SECTION 7
STAFF COSTS AND REMUNERATION

SECTION 8
OTHER DISCLOSURE REQUIREMENTS

SECTION 9
BASIS FOR PREPARATION

SECTION 10
GROUP COMPANIES

* The segmented quarterly information on page 95 is part of the Management Review.

INCOME STATEMENT

Income statement

DKK million	Section	2020	2019
Revenue	1.1	58,541	65,902
Cost of sales	1.2.1	-30,180	-33,264
Gross profit		**28,361**	**32,638**
Sales and distribution expenses	1.2.3	-15,373	-17,826
Administrative expenses		-3,414	-4,700
Other operating activities, net	1.2.4	-154	176
Share of profit after tax of associates and joint ventures	5.5	298	236
Operating profit before special items		**9,718**	**10,524**
Special items, net	3.1	-244	568
Financial income	4.1	378	374
Financial expenses	4.1	-781	-1,102
Profit before tax		**9,071**	**10,364**
Income tax	6.1	-2,240	-2,766
Consolidated profit		**6,831**	**7,598**
Attributable to			
Non-controlling interests	1.1	778	908
Shareholder in Carlsberg Breweries A/S (net profit)		6,053	6,690

STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income

DKK million	Section	2020	2019
Consolidated profit		**6,831**	**7,598**
Other comprehensive income			
Retirement benefit obligations	7.4	2	-569
Share of other comprehensive income in associates and joint ventures	5.5	-4	4
Income tax	6.1	-42	38
Items that will not be reclassified to the income statement		**-44**	**-527**
Foreign exchange adjustments of foreign entities	4.1	-7,640	3,485
Fair value adjustments of hedging instruments	4.1	198	-323
Other		-	14
Income tax	6.1	-22	17
Items that may be reclassified to the income statement		**-7,464**	**3,193**
Other comprehensive income		**-7,508**	**2,666**
Total comprehensive income		**-677**	**10,264**
Attributable to			
Non-controlling interests		456	905
Shareholder in Carlsberg Breweries A/S		-1,133	9,359

STATEMENT OF FINANCIAL POSITION

DKK million	Section	31 Dec. 2020	31 Dec. 2019
ASSETS			
Non-current assets			
Intangible assets	2.2, 2.3	54,852	58,815
Property, plant and equipment	2.2, 2.3	26,148	27,458
Investments in associates and joint ventures	5.5	3,764	3,958
Receivables	1.5	1,502	1,177
Tax assets	6.2	1,658	1,810
Total non-current assets		**87,924**	**93,218**
Current assets			
Inventories	1.2.1	4,613	4,751
Trade receivables	1.5	3,740	5,344
Tax receivables		202	192
Other receivables	1.5	2,760	2,590
Prepayments		768	775
Cash and cash equivalents	4.4.2	8,093	5,222
Total current assets		**20,176**	**18,874**
Total assets		**108,100**	**112,092**

DKK million	Section	31 Dec. 2020	31 Dec. 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	4.3.2	500	501
Reserves		-40,824	-33,651
Retained earnings		69,139	65,274
Equity, shareholder in Carlsberg Breweries A/S		**28,815**	**32,123**
Non-controlling interests		4,054	2,585
Total equity		**32,869**	**34,708**
Non-current liabilities			
Borrowings	4.2, 4.4.1	29,291	20,879
Retirement benefit obligations	7.4	2,903	3,266
Tax liabilities	6.2	5,602	5,787
Provisions	3.2	3,306	3,981
Other liabilities	5.4	5,196	9,054
Total non-current liabilities		**46,298**	**42,967**
Current liabilities			
Borrowings	4.2, 4.4.1	968	4,121
Trade payables		16,850	17,188
Deposits on returnable packaging materials	1.2.2	1,276	1,545
Provisions	3.2	1,239	1,629
Tax payables		920	990
Other liabilities		7,680	8,943
Total current liabilities		**28,933**	**34,416**
Total liabilities		**75,231**	**77,383**
Total equity and liabilities		**108,100**	**112,092**

STATEMENT OF CHANGES IN EQUITY

DKK million	Section	Shareholder in Carlsberg Breweries A/S							
2020		Share capital	Currency translation	Hedging reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January		**501**	**-32,930**	**-721**	**-33,651**	**65,274**	**32,124**	**2,585**	**34,709**
Consolidated profit		**-**	**-**	**-**	**-**	**6,053**	**6,053**	**778**	**6,831**
Other comprehensive income	4.3.3	**-**	**-7,285**	**112**	**-7,173**	**-13**	**-7,186**	**-322**	**-7,508**
Total comprehensive income for the year		**-**	**-7,285**	**112**	**-7,173**	**6,040**	**-1,133**	**456**	**-677**
Capital reduction	4.3.1	-1	-	-	-	-2,499	-2,500	-	-2,500
Refund to parent company for exercise of share-based payments		-	-	-	-	-318	-318	-	-318
Change in expected future refunds for exercise of share-based payments		-	-	-	-	845	845	-	845
Share-based payments	7.3	-	-	-	-	39	39	-5	34
Dividend paid to the shareholder	4.3.2	-	-	-	-	-3,204	-3,204	-805	-4,009
Non-controlling interests		-	-	-	-	3,144	3,144	614	3,758
Acquisition of entities	5.2	-	-	-	-	-182	-182	1,209	1,027
Total changes in equity		**-1**	**-7,285**	**112**	**-7,173**	**3,865**	**-3,309**	**1,469**	**-1,840**
Equity at 31 December		**500**	**-40,215**	**-609**	**-40,824**	**69,139**	**28,815**	**4,054**	**32,869**

DKK million	Section	Shareholder in Carlsberg Breweries A/S							
2019		Share capital	Currency translation	Hedging reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January		**502**	**-36,116**	**-721**	**-36,837**	**71,183**	**34,848**	**2,586**	**37,434**
Consolidated profit		**-**	**-**	**-**	**-**	**6,690**	**6,690**	**908**	**7,598**
Other comprehensive income	4.3.3	**-**	**3,186**	**-**	**3,186**	**-516**	**2,670**	**-4**	**2,666**
Total comprehensive income for the year		**-**	**3,186**	**-**	**3,186**	**6,174**	**9,360**	**904**	**10,264**
Capital reduction	4.3.1	-1	-	-	-	-4,499	-4,500	-	-4,500
Refund to parent company for exercise of share-based payments		-	-	-	-	-25	-25	-	-25
Change in expected future refunds for exercise of share-based payments		-	-	-	-	-551	-551	-	-551
Share-based payments	7.3	-	-	-	-	204	204	3	207
Dividend paid to the shareholder	4.3.2	-	-	-	-	-2,746	-2,746	-853	-3,599
Non-controlling interests		-	-	-	-	-4,466	-4,466	-55	-4,521
Total changes in equity		**-1**	**3,186**	**-**	**3,186**	**-5,909**	**-2,724**	**-1**	**-2,725**
Equity at 31 December		**501**	**-32,930**	**-721**	**-33,651**	**65,274**	**32,124**	**2,585**	**34,709**

STATEMENT OF CASH FLOWS

DKK million	Section	2020	2019
Operating profit before special items		9,718	10,524
Depreciation, amortisation and impairment losses	2.3	4,376	4,534
Operating profit before depreciation, amortisation and impairment losses		**14,094**	**15,058**
Other non-cash items		-515	-295
Change in trade working capital		1,340	553
Change in other working capital		-1,132	544
Restructuring costs paid		-529	-445
Interest etc. received		108	153
Interest etc. paid		-520	-1,037
Income tax paid		-1,980	-2,246
Cash flow from operating activities	1.4	**10,866**	**12,285**
Acquisition of property, plant and equipment and intangible assets		-4,386	-4,571
Disposal of property, plant and equipment and intangible assets		221	1,713
Change in on-trade loans	1.4	339	50
Total operational investments		**-3,826**	**-2,808**
Free operating cash flow		**7,040**	**9,477**
Acquisition and disposal of subsidiaries, net	5.2	-2,409	-9
Acquisition and disposal of associates and joint ventures, net	5.2	8	-41
Acquisition and disposal of financial investments, net		1	25
Change in financial receivables		42	-61
Dividends received		317	432
Total financial investments		**-2,041**	**346**
Cash flow from investing activities		**-5,867**	**-2,462**
Free cash flow		**4,999**	**9,823**
Shareholder in Carlsberg Breweries A/S	4.3.2	-5,704	-7,246
Non-controlling interests	4.3.2	-877	-2,520
External financing	4.4.1	4,829	-388
Cash flow from financing activities		**-1,752**	**-10,154**
Net cash flow		**3,247**	**-331**
Cash and cash equivalents at 1 January		5,149	5,434
Foreign exchange adjustment of cash and cash equivalents		-438	46
Cash and cash equivalents at 31 December	4.4.2	**7,958**	**5,149**

Acquisition of property, plant and equipment and intangible assets includes the purchase of the Brooklyn brand rights.
Cash and cash equivalents are reported less bank overdrafts.

SECTION 1

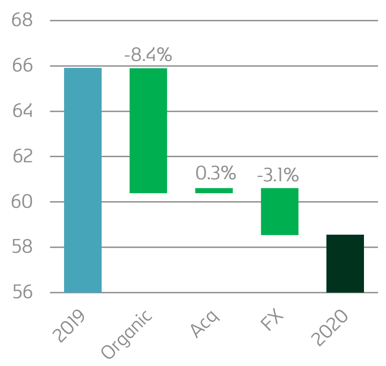
OPERATING ACTIVITIES

58.5bn

REVENUE (DKK)

Revenue declined by 11.2%, amounting to DKK 58,541m (2019: DKK 65,902m). Revenue was negatively impacted by COVID-19 in most markets and by negative currency developments, mainly in Russia, Norway and China.

REVENUE DEVELOPMENT (%)



48.4%

GROSS MARGIN

Cost of sales per hl improved organically by 3%, positively impacted by country and product mix.

The gross margin declined by 110bp to 48.4%, as supply chain efficiencies were not enough to offset the under-absorption of fixed costs and the channel and product mix. The gross margin was also impacted by country mix.

9.7bn

OPERATING PROFIT (DKK)

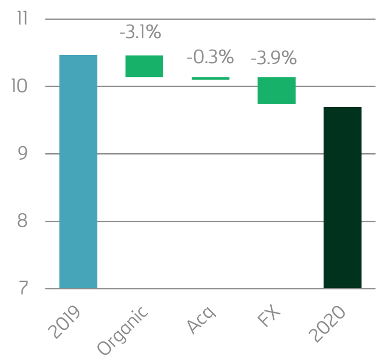
Operating expenses, including marketing investments, declined organically by 14% as a result of tight cost control. The main areas in which costs fell were marketing, travel, supply chain and administration, including employee-related costs. Reported operating expenses as a percentage of revenue declined by 200bp. Excluding marketing expenses, operating expenses declined organically by 13%.

Operating profit before depreciation, amortisation and impairment losses (EBITDA) declined by 2.7% organically and by 6.4% in reported terms. The EBITDA margin improved by 130bp to 24.1%.

The Asian and Eastern European regions delivered solid organic operating profit growth and strong operating margin improvements, while operating profit declined in Western Europe.

Operating profit before special items was DKK 9,718m (2019: DKK 10,524m). The Group's operating margin increased by 60bp to 16.6%.

OPERATING PROFIT DEVELOPMENT (%)



6.1bn

NET PROFIT (DKK)

Special items, net, amounted to DKK -244m (2019: DKK 568m). Special items were positively impacted by reversal of a provision made in a purchase price allocation, offset mainly by restructuring costs related to Reset for the future, and write-down of a brand in Cambodia.

Financial items, net, amounted to DKK -403m against DKK -728m in 2019. Excluding currency gains and losses, financial expenses, net, amounted to DKK 542m (2019: DKK 640m), positively impacted by lower other financial expenses.

Tax totalled DKK -2,240m against DKK -2,766m in 2019. The effective tax rate of 24.7% was positively impacted by tax-exempt and non-deductible special items. Excluding these, the effective tax rate would have been 25.7%.

Consolidated profit was DKK 6,829m compared to DKK 7,589m in 2019. The decline was due to lower operating profit and special items, partly offset by lower financial expenses, net, and the lower tax rate.

The Group's share of consolidated profit was DKK 6,051m (2019: DKK 6,690m).

Non-controlling interests were DKK 778m (2019: DKK 908m), impacted by challenging market conditions in Malaysia, and the new joint venture with Marston's in the UK, of which the Group owns 60%.

10.9bn
OPERATING CASH FLOW (DKK)

Cash flow from operating activities amounted to DKK 10,866m against DKK 12,285m in 2019.

The change in trade working capital was DKK +1,340m (2019: DKK +553m), mainly due to lower trade receivables, impacted by lower sales as a result of the increased COVID-19-related restrictions towards the end of the year. Average trade working capital to revenue improved from -16.7% in 2019 to -18.6%.

The change in other working capital was DKK -1,132m (2019: DKK +544m), partly impacted by phasing and lower VAT payable.

Restructuring costs paid amounted to DKK -529m (2019: DKK -445m). Net interest etc. paid amounted to DKK -412m (2019: DKK -884m). The decline was mainly due to the settlement of financial instruments.

Corporation tax paid was DKK -1,980m (2019: DKK -2,246m). The decrease versus last year was mainly due to lower earnings.

5.0bn
FREE CASH FLOW (DKK)

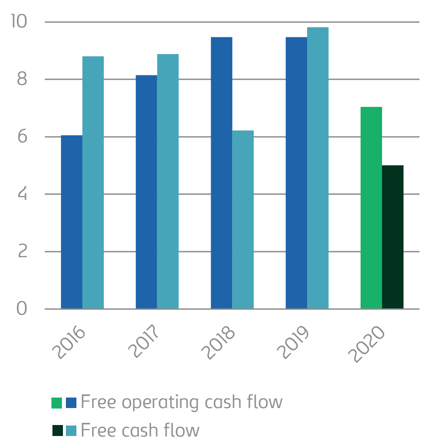
Free cash flow amounted to DKK 4,999m (2019: DKK 9,823m), while free operating cash flow amounted to DKK 7,040m (2019: DKK 9,477m).

Operational investments totalled DKK -3,826m (2019: DKK -2,808m), impacted by the purchase of the Brooklyn brand rights. In 2019, operational investments were impacted by the disposal of the brewery site in Norway.

Total financial investments amounted to DKK -2,041m (2019: DKK +346m), impacted by the acquisition of Marston's brewing activities, the prepayment of the purchase price for Wernesgrüner Brewery, Germany, and lower dividends received.

Total cash flow to investments in entities and brand rights, including acquisition of non-controlling interests, amounted to DKK 3.2bn (2019: DKK 1.7bn). For 2020, this primarily included the acquisitions of Marston's brewing activities in the UK, and the acquisition of Wernesgrüner Brewery and the Brooklyn brand rights.

FREE CASH FLOW (DKKm)



3.2bn
ACQUISITIONS (DKK)

The cash flow for the purchase of the Brooklyn brand rights was included in operational investments.

The cash consideration paid on acquisition of 60% of Marston's brewing activities in the UK and the prepayment on the acquisition of Wernesgrüner Brewery amounted to DKK 2.4bn and was recognised as financial investments in the cash flow statement.

The prepayment on the acquisition of Wernesgrüner Brewery was recognised as a non-current receivable. The transaction was completed on 1 January 2021.

Total cash flow to investments in brand rights and entities thereby amounted to DKK 3.2bn.

SECTION 1.1

SEGMENTATION OF OPERATIONS

REVENUE

The Group's revenue arises primarily from the sale of beverages to our customers. Revenue from brand licensing, sale of by-products and other revenue in aggregate accounts for around 3% of the Group's revenue and is not considered material. Revenue declined by DKK -7,361m in 2020 and was negatively impacted by the lower volumes in Western Europe and Asia and deterioration in price/mix in Western Europe and Eastern Europe, along with a negative currency impact in all three regions.

Not allocated revenue, DKK 25m (2019: DKK 72m), consisted of DKK 1,112m (2019: DKK 1,355m) in revenue and DKK -1,087m (2019: DKK -1,283m) from eliminations of sales between the geographical segments.

Revenue in Denmark was impacted by lower sales of soft drinks at the German/Danish border.

The DKK value of revenue in Russia for 2020 was impacted by the 11.4% decrease in the average RUB/DKK rate.

CHANGES TO SEGMENTATION

The Group's regional structure was changed effective 1 January 2021, with the aim of rebalancing the European regions in terms of size and number of business units.

Segmentation of income statement

DKK million

2020	Western Europe	Asia	Eastern Europe	Not allocated	Carlsberg Breweries Group, total
Revenue	**31,547**	**16,959**	**10,010**	**25**	**58,541**
Total cost	-26,763	-13,057	-8,093	-1,208	-49,121
Share of profit after tax of associates and joint ventures	209	89	-	-	298
Operating profit before special items	**4,993**	**3,991**	**1,917**	**-1,183**	**9,718**
Special items, net					-244
Financial items, net					-403
Profit before tax					**9,071**
Income tax					-2,240
Consolidated profit					**6,831**
Operating margin	15.8%	23.5%	19.2%		16.6%
2019					
Revenue	**36,317**	**18,416**	**11,097**	**72**	**65,902**
Total cost	-30,320	-14,536	-9,215	-1,543	-55,614
Share of profit after tax of associates and joint ventures	190	51	-	-5	236
Operating profit before special items	**6,187**	**3,931**	**1,882**	**-1,476**	**10,524**
Special items, net					568
Financial items, net					-728
Profit before tax					**10,364**
Income tax					-2,766
Consolidated profit					**7,598**
Operating margin	17.0%	21.3%	17.0%		16.0%

The segmentation used in the Annual Report 2020 is unchanged. Please refer to section 9.5 for further disclosures.

Revenue and excise duties

DKK million	2020	2019
Revenue, including excise duties	83,182	93,483
Excise duties	-24,641	-27,581
Revenue	**58,541**	**65,902**

Geographical allocation of revenue

DKK million	2020	2019
Denmark (Carlsberg A/S' domicile)	3,512	4,736
China	9,858	8,999
Russia	6,405	7,307
Other countries	38,766	44,860
Total	**58,541**	**65,902**

SECTION 1.1 (CONTINUED)

SEGMENTATION OF OPERATIONS

OPERATING PROFIT BEFORE SPECIAL ITEMS

Not allocated operating profit before special items, DKK -1,185m (2019: DKK -1,476m), related to central costs not managed by the regions, including costs of developing branding activities to support the SAIL'22 initiatives and general costs of centralised functions as well as various eliminations of DKK 62m (2019: DKK 71m).

VOLUMES

Organic growth in total volumes was impacted by declining volumes in Western Europe and Asia primarily due to COVID-19, partly offset by growth in Eastern Europe.

NON-CONTROLLING INTERESTS

The Group's non-controlling interests consist of Lao Brewery, Chongqing Brewery Group, Carlsberg Malaysia Group and other minor interests, primarily in the Asia region. Also included are two months of earnings in the newly established Carlsberg Marston's Brewing Company Limited. Non-controlling interests are not individually material to the Group's total profit.

Non-controlling interests hold 40% of the shares in Carlsberg Marston's Brewing Company Limited, which includes Marston's brewing activities and the Group's activities in the UK.

The material asset restructuring whereby Carlsberg and Chongqing Brewery Co. contributed their controlled assets to Chongqing Jianiang Brewery was completed in December 2020. The transaction had an immaterial impact on the allocation of the consolidated profit for the year between the shareholder in Carlsberg Breweries A/S and non-controlling interests for 2020.

With the full-year effect of these transactions, non-controlling interests' share of the result in Carlsberg Marston's Brewing Company Limited, UK, and Chongqing Brewery Group, China, is expected to increase for 2021. The transactions are described in more detail in sections 5.2 and 5.3.

Group financial performance

				Change		Change
Volumes (million hl)	**2019**	**Organic**	**Acq., net**	**FX**	**2020**	**Reported**
Beer	113.0	-2.8%	0.2%	-	110.1	-2.6%
Non-beer	21.9	-8.7%	0.0%	-	20.0	-8.7%
Total volume	**134.9**	**-3.8%**	**0.2%**	**-**	**130.1**	**-3.6%**
DKK million						
Revenue	65,902	-8.4%	0.3%	-3.1%	58,541	-11.2%
Operating profit before special items	10,524	-3.5%	-0.4%	-3.8%	9,718	-7.7%
Operating margin (%)	16.0				16.6	60bp

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.

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 these are key factors when determining the classification.

SECTION 1.1 (CONTINUED)

SEGMENTATION OF OPERATIONS

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.

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

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 1.5.

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, including global sponsorships.

The non-beverage segment, comprising research and real estate activities, is managed separately and therefore shown separately instead of geographically segmented.

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.

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 and joint ventures, 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 1.2

OPERATING EXPENSES, INVENTORIES AND DEPOSIT LIABILITIES

1.2.1 COST OF SALES AND INVENTORIES

Cost of sales decreased by 9% compared with 2019, mainly as a result of lower volumes in Western Europe and Asia, and lower input costs in Eastern Europe due to foreign exchange. Cost of sales per hl decreased by approximately 6% compared with 2019.

Cost of sales

DKK million	2020	2019
Cost of materials	17,830	19,222
Direct staff costs	1,297	1,441
Amortisation and depreciation	2,697	2,637
Indirect production overheads	4,062	4,433
Purchased finished goods and other costs	4,294	5,531
Total	**30,180**	**33,264**

Inventories decreased by 3% compared with 2019, mainly impacted by minor changes to phasing of campaigns.

In general, write-offs of inventories did not increase significantly in 2020, as the Group managed to adapt the business and decrease production in line with customer demand.

Inventories

DKK million	2020	2019
Raw materials	2,072	2,116
Work in progress	295	333
Finished goods	2,246	2,302
Total	**4,613**	**4,751**

Commodity risks are associated in particular with purchasing of cans (aluminium), malt (barley), glass, paper, sugar and energy. The management of commodity risks is coordinated centrally and aimed at achieving stable and predictable prices in the medium term, and avoiding capital and liquidity being tied up unnecessarily.

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.

It is Group policy to fix the prices of 70% of malt (barley) purchases for a given year no later than at the end of the third quarter of the previous year and to hedge up to around 90% at the beginning of the year. A significant part of the Group's exposure for 2020 was therefore hedged through fixed-price purchase agreements entered into during 2019. Likewise, the majority of the exposure for 2021 has been hedged during 2020. The percentage that is hedged or at fixed prices is higher for Western Europe and Eastern Europe than for Asia, which is partly due to the timing of the harvest season in Asia.

In the majority of purchase agreements for cans, the Group's purchase price is variable and based on the global market price of aluminium (London Metal Exchange, LME). The Group is thereby able to hedge the underlying aluminium price risk by applying a hedge ratio of 1:1.

In 2020, the majority of the aluminium price risk was hedged with financial instruments or with fixed prices via the suppliers to the Group. The same has been done for 2021. The fair values of the financial instruments are specified in section 4.8.

Hedging of raw material price risk

DKK million

	Sensitivity assuming 100% efficiency				Time of maturity
2020	Change	Effect on OCI	Tonnes purchased	Average price (DKK)	2021
Aluminium	+10%	80	66,323	11,132	66,323
2019	Change	Effect on OCI	Tonnes purchased	Average price (DKK)	2020
Aluminium	+10%	77	63,861	12,512	63,861

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.

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

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.

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.

SECTION 1.2 (CONTINUED)

OPERATING EXPENSES, INVENTORIES AND DEPOSIT LIABILITIES

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.

1.2.2 DEPOSITS ON RETURNABLE PACKAGING MATERIALS

Deposits on returnable packaging materials amounted to DKK 1,276m (2019: DKK 1,545m). The capitalised value of returnable packaging materials was DKK 1,791m (2019: DKK 2,102m). The decline in deposits is a consequence of the lower volumes sold, which led to a lower need for reinvestment and thereby a lower capitalised value of returnable packaging materials.

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.

1.2.3 SALES AND DISTRIBUTION EXPENSES

Total sales and distribution expenses decreased by 14% in reported terms and by 11% organically, as a result of tight cost control in response to the COVID-19 lockdowns and restrictions.

Sales and distribution expenses

DKK million	2020	2019
Marketing expenses	4,390	5,581
Sales expenses	5,101	5,768
Distribution expenses	5,882	6,477
Total	**15,373**	**17,826**

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.

1.2.4 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. On-trade loans, net, are impacted by impairment of outstanding loans as a consequence of the impact of COVID-19 as further described in section 1.5.1.

Other operating activities, net

DKK million	2020	2019
Gains and losses on disposal of property, plant and equipment and intangible assets, net	53	55
On-trade loans, net	-204	44
Real estate, net	19	13
Research centres, net	-106	-57
Other, net	84	121
Total	**-154**	**176**

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

SECTION 1.3

FOREIGN EXCHANGE RISK RELATED TO EARNINGS

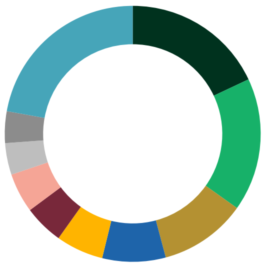
The majority of the Group's activities take place outside Denmark and in currencies other than DKK. Foreign exchange risk is therefore a principal financial risk for the Group, and exchange rate fluctuations can have a significant impact on the income statement.

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.

REVENUE BY CURRENCY (%)

2020 (2019)



EUR 18% (19%)
CNY 17% (14%)
RUB 11% (11%)
DKK 8% (10%)
NOK 6% (5%)
GBP 5% (5%)
CHF 5% (5%)
SEK 4% (4%)
LAK 4% (4%)
Other 22% (23%)

The EUR/DKK exposure is considered to be limited and is not hedged.

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.

Eastern Europe

Baltika Breweries and the other entities in Eastern Europe have expenses in both USD and EUR, and appreciation of RUB and other currencies vis-à-vis EUR and USD has a positive impact on operating profit, while depreciation has a negative effect. The Group has chosen not to systematically hedge the transaction risk due to the significant cost of hedging these currencies over a longer period of time. For 2020 and 2021, the Group has chosen to hedge a portion of Baltika Breweries' and Carlsberg Ukraine's expenses in USD. The volatility of the Eastern European currencies will continue to affect operating profit measured in both DKK and local currencies. Furthermore, some of the entities in Eastern Europe hold intercompany deposits in EUR and USD. The revaluation of these is recognised in financial items.

TRANSLATION RISK

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

The single largest translation exposure in respect of operating profit in 2020 was RUB due to the double-digit depreciation of the currency compared with 2019. Looking into 2021, the largest exposure in terms of EBIT and currency volatility is CNY, while RUB remains the single largest exposure on translation of net investments in foreign entities.

The 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.

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.

Impact on operating profit

Developments in exchange rates between DKK and the functional currencies had a negative impact of 3.8% on operating profit measured in DKK.

Entities in	Functional currency	Change in average FX rate 2019 to 2020
The eurozone	EUR	-0.16%
China	CNY	-2.10%
Russia	RUB	-11.40%
United Kingdom	GBP	-1.60%
Switzerland	CHF	3.80%
Norway	NOK	-8.20%
Sweden	SEK	1.00%
Laos	LAK	-5.50%

SECTION 1.4

CASH FLOW FROM OPERATING ACTIVITIES

Change in trade working capital amounted to DKK 1,340m (2019: DKK 553m), primarily due to a decline in trade receivables due to lower sales and increased impairments. This was partly offset by a decrease in deposit liabilities.

Other working capital decreased by DKK 1,132m (2019: increase of DKK 544m), mainly impacted by lower VAT payable and changes in provisions.

The change in on-trade loans amounted to DKK 339m (2019: DKK 50m).

Restructuring costs paid amounted to DKK -529m (2019: DKK -445m), 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 -412m (2019: DKK -884m). The decrease in net interest was mainly due to settlements of derivative financial instruments as well as lower interest income.

Income tax paid amounted to DKK -1,980m (2019: DKK -2,246m). The decrease in tax paid was the result of lower operating profit in some markets, mainly Laos, Greece, Norway and Russia.

Cash flow from disposal of property, plant and equipment and intangible assets was DKK 221m (2019: DKK 1,713m). In 2019, the cash flow included the proceeds from disposal of the former brewery sites in Trondheim, Norway, and Hamburg, Germany, totalling DKK 1,503m.

Average trade working capital improved from -16.7% to -18.6% of revenue, primarily due to the decrease in revenue.

Other specifications of cash flow from operating activities

DKK million	Section	2020	2019
Other non-cash items			
Share of profit after tax of associates and joint ventures	5.5	-298	-236
Gain on disposal of property, plant and equipment and intangible assets, net	2.3	-53	-55
Share-based payments		34	207
Transfer of long-term medical insurance obligation	7.4	-199	-162
Other items		1	-49
Total		**-515**	**-295**
Trade working capital			
Inventories		-1	-188
Trade receivables		1,481	84
Trade payables, duties payable and deposits on returnable packaging materials		-140	657
Total		**1,340**	**553**
Other working capital			
Other receivables		279	197
Other payables		-712	228
Retirement benefit obligations and other liabilities related to operating profit before special items		-559	161
Unrealised foreign exchange gains/losses		-140	-42
Total		**-1,132**	**544**
On-trade loans			
Loans provided		-464	-685
Repayments		353	426
Amortisation of on-trade loans		450	309
Total		**339**	**50**

SECTION 1.5

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. As at 31 December 2020, it also includes the prepayment for the acquisition of Wernesgrüner Brewery, Germany. Of the total non-current receivables, DKK 257m (2019: DKK 205m) 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 3.3. 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 3.2% (2019: 4.5%).

Credit risk on receivables

DKK million

2020	Gross receivables	Loss allowance	Receivables, net	Weighted average loss rate
Receivables from sales of goods and services				
Not past due	3,193	-182	3,011	6%
Overdue 1-30 days	349	-87	262	25%
Overdue 31-90 days	178	-75	103	42%
Overdue > 90 days	406	-355	51	87%
Receivables from sales of goods and services	**4,126**	**-699**	**3,427**	
On-trade loans				
Not past due	797	-101	696	13%
Overdue 1-30 days	14	-	14	-
Overdue 31-90 days	31	-3	28	10%
Overdue > 90 days	796	-395	401	50%
On-trade loans	**1,638**	**-499**	**1,139**	
Other receivables				
Not past due	2,767	-3	2,764	0%
Overdue 1-30 days	15	-	15	-
Overdue 31-90 days	50	-	50	-
Overdue > 90 days	127	-21	106	17%
Other receivables	**2,959**	**-24**	**2,935**	
Total	**8,723**	**-1,222**	**7,501**	
Total 2019	**9,823**	**-712**	**9,111**	

Receivables included in the statement of financial position

2020	Non-current		Current	Total
	Receivables	Trade receivables	Other receivables	
Receivables from sales of goods and services	-	3,427	-	3,427
On-trade loans	826	313	-	1,139
Other receivables	175	-	2,760	2,935
Operating receivables	**1,001**	**3,740**	**2,760**	**7,501**
Prepayment for acquisition	501	-	**-**	501
Total	**1,502**	**3,740**	**2,760**	**8,002**

2019	Non-current		Current	Total
Receivables from sales of goods and services	-	4,894	-	4,894
On-trade loans	975	450	-	1,425
Other receivables	202	-	2,590	2,792
Total	**1,177**	**5,344**	**2,590**	**9,111**

SECTION 1.5 (CONTINUED)

TRADE RECEIVABLES AND ON-TRADE LOANS

OTHER RECEIVABLES

Other receivables primarily comprise VAT and similar government receivables, interest receivables and other financial receivables, which are associated with low risk. The credit risk related to other receivables remains almost unchanged compared with previous years, as they are less impacted by the COVID-19 pandemic.

On-trade loans recognised in other operating activities, net

DKK million	2020	2019
Interest and amortisation of on-trade loans	50	75
Losses and write-downs on on-trade loans	-254	-31
On-trade loans, net	**-204**	**44**

1.5.1 CREDIT RISK

In 2020, receivables not past due amounted to 77% (2019: 81%) of total gross receivables. The closure of on-trade businesses and other COVID-19 restrictions are impacting our customers, increasing in particular the past-due share of gross loans to on-trade customers to 51% (2019: 29%). Total impairment losses on trade loans were DKK 499m (2019: DKK 214m).

The past-due share for trade receivables has increased from 21% to 23%.

The credit risk is being closely managed in the markets and assessed in light of the changing restrictions, and the COVID-19 impact on the global risk pattern is being evaluated at Group level.

Throughout the year and continuing into 2021, our customers in most markets were impacted by lockdowns, full or partial closure of on-trade businesses, restrictions on cultural and sports activities, social distancing and other government restrictions in response to the COVID-19 pandemic.

This makes our customers extremely vulnerable and dependent on ongoing government support in the form of subsidies and extended payment terms.

The increased credit risk on both trade receivables and on-trade loans already seen across all markets in 2020 is expected to continue into 2021.

The estimated impairment losses consider the expected impact both from the continuing restrictions and when government financial support schemes and extended payment terms come to an end when markets reopen.

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 amounts of receivables sold.

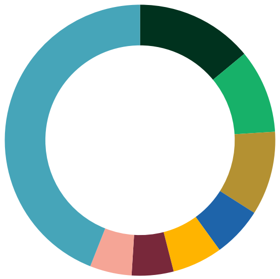
The relative share of receivables in the UK has increased following the acquisition of Marston's brewing activities. The overall level of receivables sold is similar to 2019.

Development in impairment losses on receivables

DKK million 2020	Receivables from sales of goods and services	On-trade loans	Other receivables	Total	2019 Total
Impairment at 1 January	-477	-214	-21	-712	-654
Impairment losses recognised	-323	-317	-2	-642	-187
Realised impairment losses	38	-25	-	13	97
Reversed impairment losses	85	62	7	154	57
Transfer	-71	-7	-13	-91	-
Foreign exchange adjustments	49	2	5	56	-25
Impairment at 31 December	**-699**	**-499**	**-24**	**-1,222**	**-712**

RECEIVABLES FROM SALES OF GOODS AND SERVICES
(BROKEN DOWN BY COUNTRY)

2020 (2019)



ON-TRADE LOANS
(BROKEN DOWN BY COUNTRY)

2020 (2019)

SECTION 1.5 (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 deemed 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 taking collateral.

In assessing credit risk, management analyses the need for impairment of trade receivables and on-trade loans due to customers' inability to pay. Many customers are currently dependent on government subsidies and support in the form of extended payment terms. The credit risk has thereby increased significantly during 2020 and is expected to continue to increase into 2021.

At year-end 2020, management has therefore assessed the lifetime expected credit losses for both trade receivables and on-trade loans, while in previous years expected credit losses were applied to on-trade loans.

Expected credit losses are assessed for portfolios of receivables based on customer segments, historical information on payment patterns, terms of payment, concentration maturity, the impact of continuing COVID-19 restrictions and the expected impact of government schemes coming to an end when markets reopen. The expected impact includes the risk of insolvencies due to lack of liquidity when the extended government payment terms cease. 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 on 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 through collateral and pledges of on-trade movables (equipment in bars, cafés etc.). The fair value of the pledged on-trade movables cannot be estimated reliably but is assessed to be insignificant, as they cannot readily be used again.

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, associates and joint ventures, interest receivables and other financial receivables.

Regarding the 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 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.

SECTION 2

ASSET BASE AND RETURNS

108.1bn

TOTAL ASSETS (DKK)

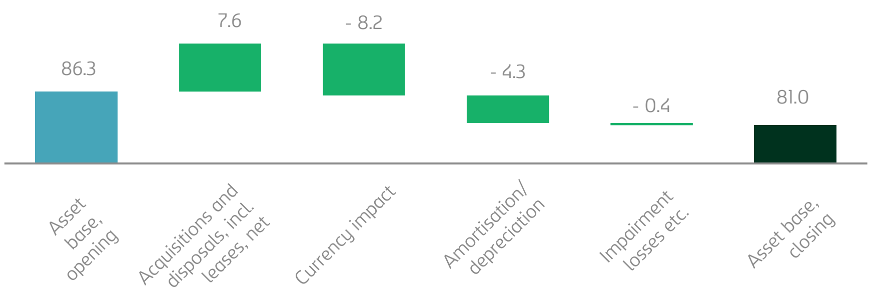
Total assets decreased by DKK 4.0bn, mainly due to a decrease in intangible assets and property, plant and equipment, which was partly offset by an increase in cash and the acquisition of Marston's brewing activities.

Intangible assets amounted to DKK 54.9bn at 31 December 2020 (2019: DKK 58.8bn), and were impacted by the depreciation of the Russian rouble and the impairment of a brand in Cambodia, and partly offset by the purchase of the Brooklyn brand rights and goodwill from the Marston's acquisition.

Property, plant and equipment decreased by DKK 1.4bn to DKK 26.1bn (2019: DKK 27.5bn), mainly impacted by depreciation and changes in foreign exchange rates.

Current assets increased by DKK 1.3bn to DKK 20.2bn. The increase was mainly driven by an increase in cash of DKK 2.9bn and partly offset by lower receivables and inventories.

ASSET BASE (DKKbn)

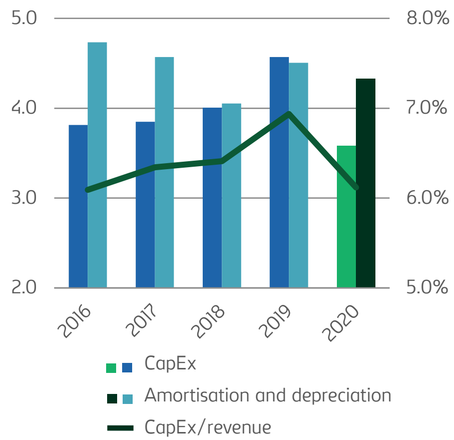


3.6bn

CAPEX (DKK)

CapEx, excluding the purchase of the Brooklyn brand rights, declined by DKK 1.0bn due to lower investment in sales CapEx, fewer returnable glass bottles due to lower demand, less need for capacity expansions in draught lines, and general cancellation and postponement of projects that are not business critical at a time when the Group is impacted by the COVID-19 pandemic. CapEx to amortisation and depreciation, excluding right-of-use assets, decreased to 90% (2019: 111%). Including purchase of the Brooklyn brand rights, the ratio amounts to 110%.

CAPEX* AND AMORTISATION/ DEPRECIATION (DKKbn)



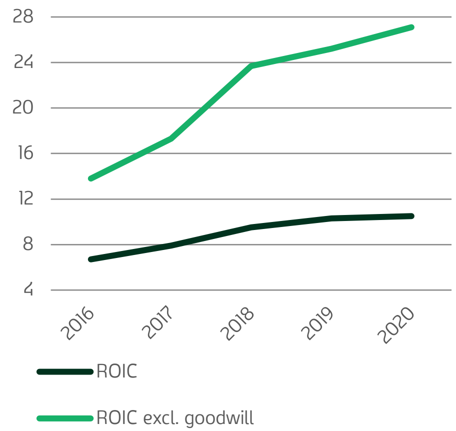
*Excluding the purchase of the Brooklyn brand rights.

10.5%

ROIC

Return on invested capital (ROIC) increased by 20bp to 10.5%, positively impacted by the lower invested capital and a lower effective tax rate, which more than offset the lower profitability. ROIC excluding goodwill increased by 170bp to 27.1%.

RETURN ON INVESTED CAPITAL (% 12-MONTH AVERAGE)



SECTION 2.1

SEGMENTATION OF ASSETS AND RETURNS

At year-end, invested capital was down by DKK 3.8bn, primarily due to the depreciation of the Russian rouble. The decrease was partly offset by the acquisition of Marston's brewing activities, which increased consolidated assets by DKK 3.3bn, and by the acquisition of the Brooklyn brand rights.

Invested capital

DKK million	2020	2019
Total assets	108,100	112,092
Less		
Tax assets	-1,658	-1,810
Financial receivables, hedging instruments and receivables sold	716	947
Cash and cash equivalents	-8,093	-5,222
Assets included	**99,065**	**106,007**
Trade payables	-16,850	-17,188
Deposits on returnable packaging materials	-1,276	-1,545
Provisions, excl. restructurings	-4,271	-5,299
Other liabilities, excl. hedging instruments	-7,113	-8,572
Liabilities offset	**-29,510**	**-32,604**
Invested capital	**69,555**	**73,403**
Goodwill	-42,286	-44,924
Invested capital excl. goodwill	**27,269**	**28,479**
Invested capital, average	**69,614**	**74,792**

Both acquisitions had a limited impact on average invested capital, as Carlsberg Marston's Brewing Company has only been included for two months and the Brooklyn brand rights for six months.

The impact on total assets from fluctuations in the Russian rouble was a decrease of DKK 7.5bn (2019: increase of DKK 4.0bn).

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. Furthermore, they 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. Invested capital increased following the acquisition of the Brooklyn brand rights and the prepayment for the acquisition of Wernesgrüner Brewery.

Geographical allocation of non-current assets

DKK million	2020	2019
Denmark (Carlsberg Breweries A/S' domicile)	4,106	3,318
Russia	18,509	24,518
China	14,320	14,569
Other countries	47,829	47,883
Total	**84,764**	**90,288**

DKK million

2020	Western Europe	Asia	Eastern Europe	Not allocated	Carlsberg Breweries Group, total
Invested capital	33,215	17,225	19,109	6	69,555
Invested capital excl. goodwill	16,151	2,682	8,430	6	27,269
Acquisition of property, plant and equipment and intangible assets	1,474	1,395	552	965	4,386
Amortisation and depreciation	2,095	1,499	654	78	4,326
Impairment losses	50	292	10	5	357
Return on invested capital (ROIC)	12.0%	16.5%	7.6%	-	10.5%
ROIC excl. goodwill	24.0%	88.8%	17.4%	-	27.1%
2019					
Invested capital	30,719	19,644	25,387	-2,347	73,403
Invested capital excl. goodwill	15,372	4,110	11,344	-2,347	28,479
Acquisition of property, plant and equipment and intangible assets	2,100	1,539	602	330	4,571
Amortisation and depreciation	2,025	1,450	710	319	4,504
Impairment losses	42	29	50	-	121
Return on invested capital (ROIC)	14.6%	14.8%	6.2%	-	10.3%
ROIC excl. goodwill	28.0%	67.5%	13.9%	-	25.4%

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 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 1.1.

SECTION 2.2
IMPAIRMENT

2.2.1 RECOGNISED IMPAIRMENTS
In 2020 and 2019, the impairment tests of goodwill and brands with indefinite useful life were prepared at the reporting date.

Impairment losses of DKK 200m relating to the Angkor brand (Cambodia), a minor local brand of DKK 31m, other intangible assets of DKK 4m and DKK 124m (2019: DKK 124m) relating to property, plant and equipment have been recognised. The impairment loss on the Angkor brand is due to a significant decline in volumes impacted by COVID-19 restrictions in the market.

In 2019, impairment losses primarily related to steel keg installations and filling lines in the Nordic countries, which were impacted by the roll-out of the DraughtMaster system.

In 2020, the Group recognised reversal of impairment losses of DKK 2m (2019: DKK 3m) in Eastern Europe relating to assets that have been brought back into production.

Impact of COVID-19
The COVID-19 pandemic and the consequent impact on volumes, earnings and cash flows indicate possible impairment of non-current assets.

The Group has carefully assessed the expected recovery from the pandemic in terms of both volumes and earnings. Since the beverage industry is resilient and volumes have to some extent shifted from on-trade to off-trade, it is expected that these will shift back to the on-trade and earnings return to the level before the pandemic. The expected timing and speed of the recovery differ from market to market, depending on the extent of government restrictions as well as consumer behaviour.

With the exception of the Angkor brand, the assessment has not identified any indication of impairment of non-current assets as a result of the COVID-19 pandemic.

Significant amounts of goodwill and brands
Goodwill and brands with indefinite useful life relating to the acquisitions of Baltika Breweries, Kronenbourg, Chongqing Brewery Group and the 40% non-controlling interest in Carlsberg Breweries A/S each accounted for 10% or more of the total carrying amount of goodwill and brands with an indefinite useful life at the reporting date.

Goodwill from these acquisitions has been allocated to CGUs based on the geographical segmentation.

The international brands acquired with the 40% non-controlling interest in Carlsberg Breweries A/S and the Baltika brand are individually material and specified in section 2.2.3.

Impairment of brands and other non-current assets

DKK million	2020	2019
Brands and other intangible assets		
Brands	231	6
Other intangible assets	4	7
Total	**235**	**13**
Property, plant and equipment		
Plant, machinery and equipment	124	111
Plant, machinery and equipment (reversal of impairment losses)	-2	-3
Total	**122**	**108**
Total impairment losses, net	**357**	**121**
Of which recognised in special items, cf. section 3.1	307	91

ACCOUNTING ESTIMATES AND JUDGEMENTS

Identification of cash-generating units
The Group's management structure reflects the geographical segments, cf. section 1.1, 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.

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

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, cf. section 5.2. The structure and groups of CGUs are reassessed every year. The Group gained control of Marston's brewing activities in 2020 and of the Acrospires activities in 2019. The goodwill recognised on these acquisitions was allocated to the Western Europe CGU.

Brands
Cash flows for brands are separately identifiable and 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:
- Baltika brand
- International brands

International brands is a group of brands recognised in connection with the acquisition of the 40% non-controlling interest in Carlsberg Breweries A/S and allocated to Western Europe. The amount is not allocated to individual brands.

SECTION 2.2 (CONTINUED)

IMPAIRMENT

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. In 2020, the assessment also included the impact of the COVID-19 pandemic.

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

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 discount rate adjusted for any risk specific to the asset, if relevant to the applied calculation method.

Impairment losses on goodwill and brands, significant losses on property, plant and equipment, associates and joint ventures, 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

The carrying amount of goodwill allocated to groups of CGUs

DKK million	2020	2019
Western Europe	17,064	15,347
Asia	14,543	15,534
Eastern Europe	10,679	14,043
Total	**42,286**	**44,924**

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

2020	Forecast cash flow growth	Terminal period growth	Pre-tax discount rate
Western Europe	-5%	0.0%	1.5%
Asia	2%	1.0%	4.1%
Eastern Europe	-14%	4.0%	6.7%

The average cash flow growth in the forecast period reflects the significant risk adjustments included in the forecast specifically for the impairment test. The risk adjustment considers only negative alternative scenarios to account for the particular uncertainty related to the continued impact on earnings and cash flow from the COVID-19 pandemic, the time and speed of the recovery, and the volatile macroeconomic and competitive situation in Eastern Europe.

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.

The region is generally characterised by well-established retail structures and a strong tradition of beer consumption. Consumption is generally resilient, but the on-trade tends to suffer in a weak macroeconomic environment. In 2020 however, the region suffered as a result of lockdowns across markets due to COVID-19. These will continue into 2021 but are not expected to have a significant long-term effect.

In the short term, the focus will be on recovering and regaining ground after the COVID-19 pandemic, and secondly on improving margins by driving a positive price/mix development and reducing the cost base across the value chain. This process is part of the SAIL'22 initiatives.

ASIA

The importance of Asia for 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.

SECTION 2.2 (CONTINUED)

IMPAIRMENT

In 2020, markets in the region were impacted by COVID-19 at different times and to different extents, with some markets already seeing a strong rebound in the second half of the year.

The focus in the region is on revenue growth. Activities include the continued expansion of our international premium brands, in particular Tuborg, 1664 Blanc and Carlsberg, and the strengthening and premiumisation of our local power brands in combination with a continued focus on costs and efficiencies.

EASTERN EUROPE

The two main markets in the region are Russia and Ukraine, which account for 67% and 20% respectively of regional volumes.

In recent years, the modern off-trade, consisting of hypermarkets and supermarkets, has grown significantly and now accounts for approximately 50% of the market in Russia. Another growing channel is the so-called beer boutiques, which is estimated to account for around 20% of the market.

The region saw limited impact from COVID-19 due to the low on-trade exposure.

The competitive environment has been challenging in recent years, particularly in Russia, which has seen an increased focus on volume. To offset previous years' volume declines caused by the focus on value in this market, the Group chose to focus more on volume, which resulted in significant volume growth in 2020. We expect the focus on volume and the related margin pressure to continue in the coming year.

Management expects the current macroeconomic situation and developments to continue in the short term, with inflation stabilising at the current level. In the medium to long term, interest rates are expected to decline and stabilise at a level slightly lower than currently observed in the market, although still with some volatility.

NEW SEGMENTATION FOR 2021

As described in section 9.5, the Group's segmentation and regional split of entities changed as of 1 January 2021, and the allocation of CGUs changed accordingly. This change will not have any impact on the conclusion of the impairment test of goodwill.

! 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 2021-2023 take a cautious view of the extent and speed of the recovery 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 discount rate that reflects the risk-free interest rate for each CGU with the addition of a spread. 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 process take into account events or circumstances that are relevant to reliably project 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.

Impact of COVID-19

For 2020, the current and expected future impact of the COVID-19 pandemic has been carefully considered. The beverage industry is generally resilient, and it is expected that volumes and earnings will recover to pre-pandemic levels within the next few years. The decline in earnings in 2020 is therefore not expected to continue in the long term.

However, to avoid overlooking any long-term impact, additional risk adjustments have been made for the uncertainty regarding the recovery from the pandemic.

Likewise, any impact on the development in volumes, sales prices, input cost and operating investments has been considered. Such impact primarily relates to the expected timing of a given development when this has been slowed down by the pandemic.

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 of macroeconomic trends, are also considered in medium- and long-term projections.

Events and circumstances can impact the timing of volumes entering the market. This can be affected by 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

SECTION 2.2 (CONTINUED)

IMPAIRMENT

otherwise. No changes to duties in the short or medium term are taken into consideration unless there is a firm plan to introduce changes.

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

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 planned 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 applied discount rates are compared to ensure a sensible correlation between the two.

2.2.3 IMPAIRMENT TEST OF BRANDS

Brands with indefinite useful life

DKK million	2020	2019
Baltika brand	4,876	6,402
Significant brands	**4,876**	**6,402**

In 2020, significant brands represented 43% (2019: 51%) of the total carrying amount of brands with indefinite useful life. The decrease in the carrying amount of the Baltika brand compared with 2019 is due only to the depreciation of RUB.

Other brands comprise a total of 19 brands (2019: 18 brands) that individually are not material compared with the total carrying amount.

BALTIKA BREWERIES

Despite COVID-19, the Russian beer market grew slightly again in 2020, due to the relatively small on-trade sector and supported by very favourable weather during the summer.

Showing a positive trend in 2020, the Baltika brand has performed broadly in line with the growth projections made when the expected future growth for the brand was reassessed when the brand was impaired in 2017.

ANGKOR BRAND

The Angkor brand was recognised in connection with the acquisition of Cambrew Brewery, Cambodia, in 2018. Following the acquisition, the volumes have not developed as expected due to failed attempt to relaunch the brand combined with the impact of COVID-19.

The long-term expectations therefore remain significantly below the expectations at the time of acquisition, which is why the brand has been impaired by DKK 200m to DKK 86m.

Key assumptions

2020	Average revenue growth	Terminal period growth	Pre-tax discount rate	Post-tax discount rate
Baltika brand	4.4%	4.0%	11.3%	10.0%

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 20 years and projections for subsequent years.

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

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, some of which have existed for 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 is 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 forecast for a 20-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.

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 20-year period.

SECTION 2.2 (CONTINUED)

IMPAIRMENT

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 project 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.

In 2020, the current drop in revenue due to the COVID-19 pandemic and the expected recovery from this have been carefully considered. As the beverage industry is generally resilient, the decline in revenue in 2020 is expected to have only a short-term impact. Revenue is expected to recover to pre-pandemic levels in the medium and long term. The timing of the recovery has been carefully considered, particularly for brands with lower headroom to the carrying amount.

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 5-10 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 20-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.

In 2020, the royalty rate for one of the brands was adjusted downwards from 15% to 13% due to increased competition in the market and declining margins.

Royalty rates

International, premium and speciality beers	3.5-13.0%
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.

Interest rates applied in Eastern Europe

In recent years, the macroeconomic situation has deteriorated significantly in Eastern Europe, resulting in interest rates and inflation increasing to a level significantly higher than the Group's long-term expectations.

In 2020, observable interest rates and inflation have normalised to the level expected by key international financial institutions. The observable risk-free interest and inflation have therefore been applied in the impairment test for 2020.

The Group continues to monitor market developments and compare these with the expectations of key international financial institutions to determine if the observable data can be applied.

The use of expected future interest rates in previous years in lieu of appropriate observable interest rates did not impact the conclusion of the impairment test because the relationship between discount rates and growth rates (the real interest rate) was expected to be constant. Expectations for the long-term real interest rate remain a key assumption for the impairment testing in general, and for CGUs with exposure to the Russian market in particular.

The impairment test of the Baltika brand is sensitive to changes in the real interest rate. Since no expected future long-term real interest rate can be directly observed, the estimate of a real interest rate is subjective and associated with risk.

Interest rates applied in Western Europe

Western Europe is experiencing very low interest rates, which in several countries are even lower than inflation, resulting in negative real interest rates. The Group generally applies a growth rate in the terminal period that is equal to or slightly lower than expected inflation. Management does not expect assets and CGUs subject to impairment testing to have a negative real interest rate in perpetuity.

To avoid applying negative real interest rates in perpetuity, the discount rate used to calculate net present value of the cash flows in the terminal period has been adjusted to incorporate an interest rate that is at least equal to the expected rate of inflation.

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.

The risk-free interest rates observable for Western Europe remained low at the end of 2020. The sensitivity tests calculate the impact of higher interest rates and allow for a double-digit percentage-point increase in risk-free interest rates.

Due to a challenging macroeconomic situation in some CGUs and groups of CGUs, the Group performed additional sensitivity tests to ensure that no potential impairment had been overlooked. These additional sensitivity tests 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.

SECTION 2.2 (CONTINUED)

IMPAIRMENT

The goodwill allocated to Eastern Europe was primarily recognised when the Group completed the step acquisition of the remaining 50% of the Baltic Beverage Holding Group from Scottish & Newcastle in 2008. However, the impairment test includes 100% of the cash flow generated by Eastern Europe, resulting in the recoverable amount significantly exceeding the carrying amount.

BRANDS

Following the impairment losses recognised in 2017 and 2015 for the Baltika brand, a reasonably possible negative change in a key assumption would cause the carrying amount to exceed the recoverable amount. The sensitivity to changes in the assumptions is shown in the table below.

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 different 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.

The sensitivity test for the maximum decline in growth rate in the forecast period assumes a year-on-year decline in the nominal growth rate, thereby estimating the accumulated effect of a negative change for the full forecast period.

The sensitivity tests were completed with all other assumptions unchanged, as it is relevant to assess the sensitivity to, for example, a decline in the growth rate independently of changes in the discount rate. This is because the growth rate in itself might be impacted by changes in brand strategy and other market factors.

The sensitivity calculated also assumes a straight-line impact despite the fact that changes in market dynamics and adjustments to these will in practice have different impacts in the individual years and might not apply in the long term.

Interest rates in Western Europe have been low for several years and are currently lower than inflation. An increase in the interest rates without a corresponding change in inflation would result in a lower recoverable amount for brands and could potentially lead to impairment. Management considers the risk of a significant write-down to be very low.

Baltika brand

The Baltika brand was written down to its recoverable amount at the end of 2017. As a result, even a small negative change in the key assumptions could lead to further impairment.

At 31 December 2020, the carrying amount of the Baltika brand was DKK 4,876m (2019: DKK 6,402m). The decline in the carrying amount is due to the depreciation of RUB.

Changes in the market dynamics in Russia and the increasingly challenging competitive environment could have a significant negative impact on the recoverable amount. Macroeconomic recovery could lead to further premiumisation or localisation, which could drive consumers towards international brands or local/regional brands.

An increase in the real interest rate from the current level (2.7%), either because of a higher interest rate or lower inflation, could significantly reduce the recoverable amount.

A 1 percentage point increase in the risk-free interest rate would result in a reduction in the recoverable amount of DKK 0.7bn, and a 1 percentage point decrease in the terminal growth rate would result in a reduction in the recoverable amount of DKK 0.3bn. The combined effect of a 1 percentage point negative change in the interest rate, the terminal growth rate and the average growth rate in the forecast period (year on year) would result in a reduction in the recoverable amount of DKK 1.3bn.

Angkor brand

As the Angkor brand was written down to the recoverable amount in 2020, a reasonably possible negative change in the key assumptions could lead to further impairment.

Following the impairment, the carrying amount of the brand amounts to DKK 86m. Any increase in the risk-free interest rate or decrease in the terminal growth rate would therefore result in a minor additional impairment.

Sensitivity test

DKKbn	Average forecast growth rate	Terminal period growth rate	Risk-free interest rate
Δ	-1 %-point	-1 %-point	+1 %-point
Baltika brand	-0.5	-0.3	-0.7

SECTION 2.3

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

DKK million	Intangible assets				Property, plant and equipment				Asset base
2020	Goodwill	Brands	Other intangible assets	Total	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Total	Total
Cost									
Cost at 1 January	**46,542**	**24,548**	**4,953**	**76,043**	**18,602**	**30,512**	**15,760**	**64,874**	**140,917**
Acquisition of entities	1,812	-	-	1,812	634	258	373	1,265	3,077
Additions, including right-of-use assets	-	804	245	1,049	224	1,772	1,817	3,813	4,862
Disposals	-	-	-66	-66	-593	-845	-1,392	-2,830	-2,896
Transfers	-	-	-6	-6	1,045	-1,218	195	22	16
Foreign exchange adjustments etc.	-4,496	-4,296	-173	-8,965	-1,054	-2,087	-1,140	-4,281	-13,246
Cost at 31 December	**43,858**	**21,056**	**4,953**	**69,867**	**18,858**	**28,389**	**15,613**	**62,860**	**132,727**
Amortisation, depreciation and impairment losses									
Amortisation, depreciation and impairment losses at 1 January	1,618	11,593	4,017	17,228	7,995	18,780	10,641	37,416	54,644
Disposals	-	-	-44	-44	-455	-815	-1,251	-2,521	-2,565
Amortisation and depreciation	-	20	166	186	649	1,444	2,047	4,140	4,326
Impairment losses	-	231	4	235	8	84	30	122	357
Transfers	-	-	-	-	9	10	-	19	19
Foreign exchange adjustments etc.	-46	-2,417	-127	-2,590	-299	-1,399	-765	-2,463	-5,053
Amortisation, depreciation and impairment losses at 31 December	**1,572**	**9,427**	**4,016**	**15,015**	**7,907**	**18,103**	**10,702**	**36,712**	**51,727**
Carrying amount at 31 December	**42,286**	**11,629**	**937**	**54,852**	**10,951**	**10,286**	**4,911**	**26,148**	**81,000**
Right-of-use assets included at 31 December									
Amortisation and depreciation	-	-	-	-	178	11	207	396	396
Carrying amount at 31 December	-	-	-	-	942	25	415	1,382	1,382

SECTION 2.3 (CONTINUED)

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

DKK million	Intangible assets				Property, plant and equipment				Asset base
2019	Goodwill	Brands	Other intangible assets	Total	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Total	Total
Cost									
Cost at 1 January	44,546	22,028	5,669	72,243	16,953	28,887	14,196	60,036	132,279
Recognition of right-of-use assets	-	-	-	-	1,005	23	564	1,592	1,592
Restated cost at 1 January	**44,546**	**22,028**	**5,669**	**72,243**	**17,958**	**28,910**	**14,760**	**61,628**	**133,871**
Acquisition of entities	22	301	4	327	-	115	4	119	446
Additions, including right-of-use assets	-	-	118	118	420	2,122	2,449	4,991	5,109
Disposals	-	-	-925	-925	-871	-1,028	-2,011	-3,910	-4,835
Transfers	-	-	3	3	509	-673	156	-8	-5
Foreign exchange adjustments etc.	1,974	2,219	84	4,277	586	1,066	402	2,054	6,331
Cost at 31 December	**46,542**	**24,548**	**4,953**	**76,043**	**18,602**	**30,512**	**15,760**	**64,874**	**140,917**
Amortisation, depreciation and impairment losses									
Amortisation, depreciation and impairment losses at 1 January	1,606	10,305	4,459	16,370	7,518	17,405	10,128	35,051	51,421
Disposals	-	-	-912	-912	-433	-887	-1,821	-3,141	-4,053
Amortisation and depreciation	-	21	403	424	621	1,418	2,041	4,080	4,504
Impairment losses	-	6	7	13	35	64	9	108	121
Transfers	-	-	-3	-3	10	-16	9	3	-
Foreign exchange adjustments etc.	12	1,261	63	1,336	244	796	275	1,315	2,651
Amortisation, depreciation and impairment losses at 31 December	**1,618**	**11,593**	**4,017**	**17,228**	**7,995**	**18,780**	**10,641**	**37,416**	**54,644**
Carrying amount at 31 December	**44,924**	**12,955**	**936**	**58,815**	**10,607**	**11,732**	**5,119**	**27,458**	**86,273**
Right-of-use assets included at 31 December									
Amortisation and depreciation	-	-	-	-	167	8	227	402	402
Carrying amount at 31 December	-	-	-	-	1,013	26	469	1,508	1,508

SECTION 2.3 (CONTINUED)

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment under construction amounted to DKK 1,102m (2019: DKK 1,497m). The decrease mainly relates to the new central office in Copenhagen being ready for use on 1 March 2020. 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. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

At 31 December 2020, the carrying amount of right-of-use assets amounted to DKK 1,382m. During the year, additions amounted to DKK 476m and depreciation to DKK 396m.

Lease expenses recognised in the income statement, relating to short-term leases and leases of low-value assets, amounted to DKK 44m. Such contracts comprise the lease of copy and printing machines, coffee machines, small IT devices and similar equipment.

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

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 amounted to DKK 41m (2019: DKK 56m).

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.

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 accessible, the Group estimates the costs when separating the service component from the lease.

Amortisation, depreciation and impairment losses

	Intangible assets		Property, plant and equipment	
DKK million	2020	2019	2020	2019
Cost of sales	38	46	2,659	2,591
Sales and distribution expenses	70	209	1,257	1,267
Administrative expenses	78	169	274	252
Special items	235	13	72	78
Total	**421**	**437**	**4,262**	**4,188**

Gain/loss on disposal of assets

DKK million	2020	2019
Gain on disposal of property, plant and equipment and intangible assets	76	89
Loss on disposal of property, plant and equipment and intangible assets	-23	-34
Total	**53**	**55**

SECTION 2.3 (CONTINUED)

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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 or 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 AND PROVISIONS

700m

SPECIAL ITEMS, INCOME (DKK)

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

-944m

SPECIAL ITEMS, EXPENSES (DKK)

Primarily impacted by restructurings across the Group and write-down of the Angkor brand and brewery equipment in Cambodia.

SECTION 3.1

SPECIAL ITEMS

SPECIAL ITEMS, INCOME

In 2020, the Group recognised reversal of provisions made in purchase price allocations in a prior year (DKK 586m) and a gain on disposal of the last part of the former brewery site in Hamburg, Germany (DKK 62m).

In 2019, the Group recognised gains on the disposal of a brewery site in Trondheim, Norway, and the former brewery site in Hamburg, Germany.

SPECIAL ITEMS, EXPENSES

In 2020 and 2019, the Group carried out various restructuring projects as part of the continued focus on cost and efficiency initiatives.

The COVID-19 pandemic had a negative impact on the Group's performance in 2020, with government impositions such as lockdowns, travel restrictions, limited social gatherings and social distancing resulting in the closure or reduced operation of on-trade outlets and other businesses. To ensure that the Group is fit for the post-COVID-19 reality, a programme to reset the business was initiated. The restructuring projects entailed changes within almost all functions, including termination of employees.

In addition, costs incurred to ensure the health and safety of our employees, such as personal protective equipment, hand sanitiser and masks, and donations to local communities during the pandemic have been recognised as special items. These costs are considered to be by nature non-recurring and collectively significant to the Group's performance.

Special items

DKK million	2020	2019
Special items, income		
Reversal of provisions made in purchase price allocations in a prior year	586	-
Gain on disposal of entities and assets	62	1,128
Disposal of property, plant and equipment previously impaired, including adjustments to gains and reversal of provisions made in prior years	52	3
Total	**700**	**1,131**
Special items, expenses		
Impairment of brands, cf. section 2.2	-231	-6
Impairment of property, plant and equipment	-74	-
Reset, other restructurings and provisions	-416	-441
Provision related to disposal of real estate	-	-110
COVID-19, personal protective and donations	-69	-
Adjustment of contingent consideration	-29	-
Costs related to acquisition of entities, etc.	-125	-6
Total	**-944**	**-563**
Special items, net	**-244**	**568**

SECTION 3.1 (CONTINUED)

SPECIAL ITEMS

The year was also impacted by write-downs, primarily of the Angkor brand and brewing equipment in Cambodia due to a significant decline in volumes following an unsuccessful attempt to relaunch the brand coupled with the impact of COVID-19 restrictions in the market.

In 2019, special items also included an increase in provisions retained by the Group on disposal of a former brewery site in previous years.

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 terms of 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 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	2020	2019
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	-111	-296
Sales and distribution expenses	-305	-77
Administrative expenses	-307	55
Other operating income	668	1,128
Other operating expenses	-189	-242
Special items, net	**-244**	**568**

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 in 2020 of DKK 274m primarily related to Reset for the future. Other restructurings mainly relates to Kronenbourg, Ringnes, Carlsberg Sverige and certain local supply companies.

Other provisions of DKK 3,795m related to ongoing disputes and lawsuits, profit sharing in France and employee obligations other than retirement benefits. The provision has been impacted by reversal of provisions made in purchase price allocations in previous years, as described in section 3.1, and reversal of provisions in relation to other contractual obligations that did not materialise, in total DKK 1,105m.

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.

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 Group's average borrowing 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.

Provisions

DKK million	Restructurings	Onerous contracts	Other	Total
Provisions at 1 January 2020	311	400	4,899	5,610
Additional provisions recognised	186	178	357	721
Used during the year	-196	-28	-258	-482
Reversal of unused provisions	-22	-62	-1,105	-1,189
Transfers	8	-	29	37
Discounting	1	4	23	28
Foreign exchange adjustments etc.	-14	-16	-150	-180
Provisions at 31 December 2020	**274**	**476**	**3,795**	**4,545**
Recognised in the statement of financial position				
Non-current provisions	80	443	2,783	3,306
Current provisions	194	33	1,012	1,239
Total	**274**	**476**	**3,795**	**4,545**

SECTION 3.3

CONTINGENT LIABILITIES

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

In 2018 and 2019, the Group's associate Super Bock in Portugal received three separate statements of objections from the local competition authority. Two of these cases are still awaiting a final decision, whereas the third case has been dropped by the Portuguese competition authority without any consequence for Super Bock.

A private consumer protection organisation in Portugal has made public that it intends to raise a civil claim of EUR 400m against Super Bock for compensation to Portuguese consumers for alleged harm on account of Super Bock's alleged anticompetitive practices.

In 2018, a dawn raid was conducted at the Group's subsidiary in India. At 31 December 2020, the case was still ongoing, and Carlsberg India is still awaiting the final decision of the competition authorities, which could entail a fine.

The Group is party to arbitration proceedings in Singapore with a partner who is the non-controlling shareholder of the Group entities in question. The dispute relates to the Shareholders' Agreement between Carlsberg and the partner.

Although no final rulings have been made in the ongoing cases, there is still significant risk related to these cases due to the inherent uncertainty.

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 304m (2019: DKK 395m). In 2020 and 2019, no guarantees were issued for loans raised by associates and joint ventures.

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

20.1bn

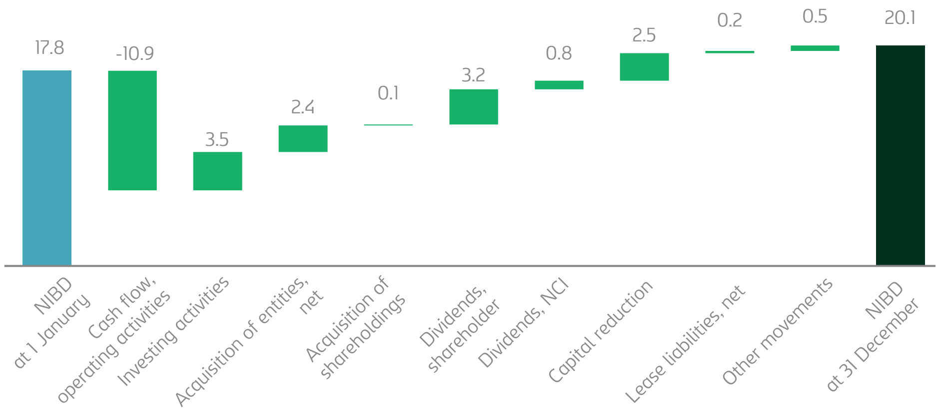
NET INTEREST-BEARING DEBT (DKK)

At 31 December 2020, gross financial debt amounted to DKK 30.3bn (2019: DKK 25.0bn). Net interest-bearing debt was DKK 20.1bn, an increase of DKK 2.3bn versus year-end 2019.

The financial position was impacted by lower-than-normal free cash flow due to the COVID-19 impact on the business and the issue of two bonds for a total of EUR 1bn.

The leverage ratio, measured as net interest-bearing debt to operating profit before depreciation, amortisation and impairment losses, was 1.43x at year-end (2019: 1.18x).

CHANGES IN NET INTEREST-BEARING DEBT (DKKbn)



32.9bn

EQUITY (DKK)

Equity amounted to DKK 32.9bn at 31 December 2020 (2019: DKK 34.7bn), DKK 28.8bn of which was attributable to shareholder in Carlsberg Breweries A/S and DKK 4.1bn to non-controlling interests.

The change in equity of DKK -1.8bn was the result of the consolidated profit of DKK 6.8bn, foreign exchange on translation of DKK 7.6bn, the dividend payout of DKK 4.0bn, a capital reduction of DKK 2.5bn, acquisition of entities of DKK 1.0bn and non-controlling interests of DKK 3.8bn.

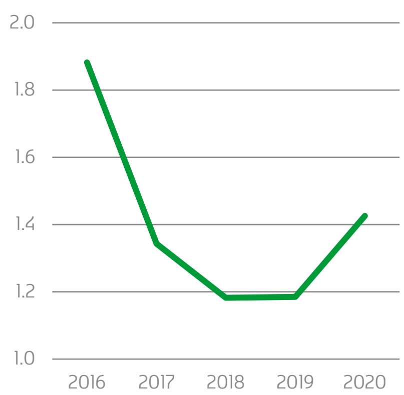
The non-controlling interests were impacted by the acquisition of 60% of Marston's brewing activities in the UK, the simultaneous disposal of 40% of the Group's subsidiaries in the UK, and the injection of the Group's Chinese entities into Chongqing Jianiang, cf. section 5.3.

-403m

NET FINANCIAL ITEMS (DKK)

Financial items, net, amounted to DKK -403m against DKK -728m in 2019. Excluding currency gains and fair value adjustments, financial items, net, amounted to DKK -542m (2019: DKK -640m), positively impacted by a reduction in other financial expenses.

LEVERAGE RATIO (NIBD/EBITDA)



SECTION 4.1

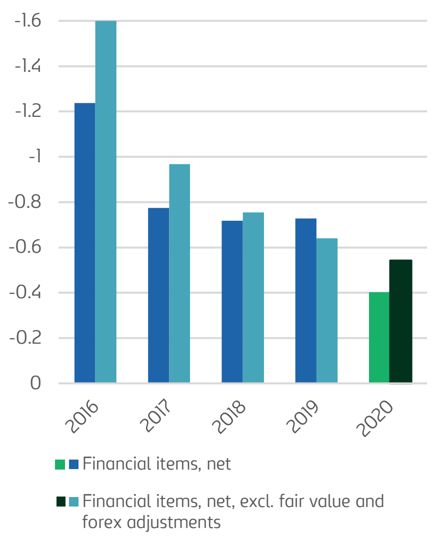
FINANCIAL INCOME AND EXPENSES

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

Foreign exchange gains, net, include fair value adjustments of hedges and foreign exchange gains. The fair value adjustment of hedges not designated as hedging instruments amounted to DKK -49m (2019: DKK 88m), cf. section 4.8. Foreign exchange gains amounted to DKK 188m (2019: DKK -176m).

Of the net change in fair value of cash flow hedges transferred to the income statement, DKK -30m (2019: DKK -102m) has been included in revenue and cost of sales and DKK -2m (2019: DKK 7m) in financial items.

FINANCIAL ITEMS, NET (DKKbn)



Financial items recognised in the income statement

DKK million	2020	2019
Financial income		
Interest income	92	149
Foreign exchange gains, net	139	-
Interest on plan assets, defined benefit plans	114	189
Other	33	36
Total	**378**	**374**
Financial expenses		
Interest expenses	-484	-520
Capitalised financial expenses	1	18
Foreign exchange losses, net	-	-88
Interest cost on obligations, defined benefit plans	-160	-256
Interest expenses, lease liabilities	-12	-12
Other	-126	-244
Total	**-781**	**-1,102**
Financial items, net, recognised in the income statement	**-403**	**-728**
Financial items excluding foreign exchange, net	-542	-640

Financial items recognised in other comprehensive income

DKK million	2020	2019
Foreign exchange adjustments of foreign entities		
Foreign currency translation of foreign entities	-7,640	3,479
Recycling of cumulative translation differences of entities acquired in step acquisitions or disposed of	-	6
Total	**-7,640**	**3,485**
Value adjustments of hedging instruments		
Change in fair value of effective portion of cash flow hedges	103	-93
Change in fair value of cash flow hedges transferred to the income statement	32	95
Change in fair value of net investment hedges	63	-325
Total	**198**	**-323**
Financial items, net, recognised in other comprehensive income	**-7,442**	**3,162**

SECTION 4.2
NET INTEREST-BEARING DEBT

Of the gross financial debt at year-end, 97% (2019: 84%) was long term, i.e. with maturity of more than one year.

Long-term and short-term borrowings amounted to DKK 30.3bn at 31 December 2020 (2019: DKK 25.0bn). Long-term borrowings totalled DKK 29.3bn (2019: DKK 20.9bn) and short-term borrowings totalled DKK 1.0bn (2019: DKK 4.1bn). The increase in long-term borrowings is mainly due to the issue of a 10-year EUR 500m bond maturing in March 2030 and a 7-year EUR 500m bond maturing in June 2027. Both bonds were issued to secure continued strong liquidity and financial flexibility.

The difference of DKK 10.2bn 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	2020	2019
Non-current borrowings	29,291	20,879
Current borrowings	968	4,121
Gross financial debt	**30,259**	**25,000**
Cash and cash equivalents	-8,093	-5,222
Net financial debt	**22,166**	**19,778**
Loans to associates, interest-bearing portion	-209	-226
On-trade loans, net	-618	-668
Other receivables, net	-1,247	-1,044
Net interest-bearing debt	**20,092**	**17,840**

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.

Share capital

	Total share capital	
	Shares of DKK 1,000	Nominal value, DKK '000
1 January 2019	502,000	502,000
Capital reduction	-1,000	-1,000
31 December 2019	**501,000**	**501,000**
Capital reduction	-1,000	-1,000
31 December 2020	**500,000**	**500,000**

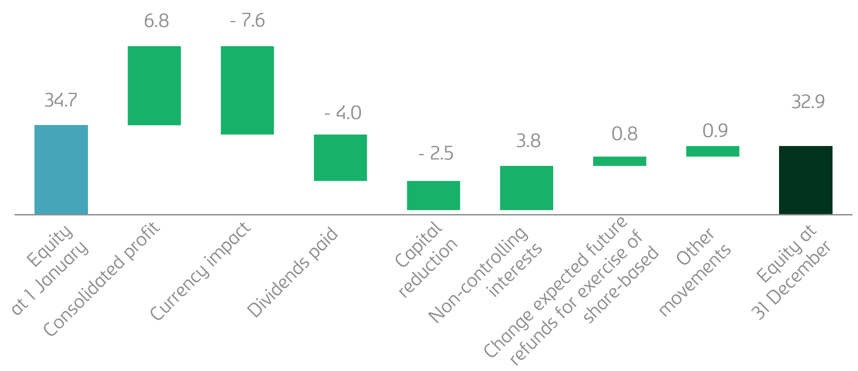
The share capital amounts to DKK 501m divided into shares in denominations of DKK 1,000 and multiples thereof. None of the shares confer any special rights. The share capital is fully owned by Carlsberg A/S, Copenhagen, Denmark.

Optimisation of share capital is carried out by managing the listed shares of Carlsberg A/S, including payment of dividends and share buy-backs. Borrowings are managed in Carlsberg Breweries A/S, where the majority of the Group's debt is denominated in listed bonds.

In November 2020, the share capital was reduced from DKK 501m to DKK 500m through a cash distribution of nominally DKK 1m at a (per 100) price of DKK 250,000, corresponding to a total cash distribution to Carlsberg A/S of DKK 2.5bn. This cash distribution reflects the share buy-backs that was carried out by Carlsberg A/S over a 6 month period from 4 February 2020.

The Group targets a leverage ratio below 2.0x. At the end of 2020, the leverage ratio was 1.43x (2019: 1.18x).

Equity (DKKbn)



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.

4.3.2 EQUITY

DIVIDENDS

The Group proposes a dividend of DKK 6,520 per share (2019: DKK 6,395 per share), amounting to DKK 3,260m (2019: DKK 3,204m). The proposed dividend has been included in retained earnings at 31 December 2020. Dividends paid out to the shareholder in Carlsberg Breweries A/S do not impact taxable income in Carlsberg Breweries A/S.

SECTION 4.3 (CONTINUED)

CAPITAL STRUCTURE

Transactions with the shareholder in Carlsberg Breweries A/S

DKK million	2020	2019
Dividend paid to the shareholder	-3,204	-2,746
Capital reduction	-2,500	-4,500
Total	**-5,704**	**-7,246**

At 31 December 2020, dividends to non-controlling interests of DKK 51m (2019: DKK 41m) were payable.

Transactions with non-controlling interests

DKK million	2020	2019
Dividends paid to NCI	-796	-850
Consideration paid for acquisition of NCI	-81	-1,670
Total	**-877**	**-2,520**

The acquisition of non-controlling interests in 2019 related to shares in Cambrew and Carlsberg Ukraine, cf. section 5.3.

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).

4.3.3 OTHER COMPREHENSIVE INCOME

Other comprehensive income has mainly been impacted by a negative foreign exchange adjustment from the depreciation of RUB.

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 1.3 and 4.6
- Interest rate risk: section 4.5
- Commodity risk: section 1.2.1
- Credit risk: sections 1.5.1 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.

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 not as a general rule achieve the objective of reducing volatility in specific items in the income statement.

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

DKK million

2020	Currency translation	Hedging reserves	Retained earnings	Total	Non-controlling interests	Other comprehensive income
Foreign exchange adjustments of foreign entities	-7,330	-	-	-7,330	-310	-7,640
Value adjustments of hedging instruments	63	132	-	195	3	198
Retirement benefit obligations	-	-	-	-	2	2
Other	-	-	-4	-4	-	-4
Income tax	-18	-20	-9	-47	-17	-64
Total	**-7,285**	**112**	**-13**	**-7,186**	**-322**	**-7,508**
2019						
Foreign exchange adjustments of foreign entities	3,490	-	-	3,490	-5	3,485
Value adjustments of hedging instruments	-325	-	-	-325	2	-323
Retirement benefit obligations	-	-	-568	-568	-1	-569
Other	-	-	16	16	2	18
Income tax	20	-	36	56	-1	55
Total	**3,185**	**-**	**-516**	**2,669**	**-3**	**2,666**

SECTION 4.4

BORROWINGS AND CASH

4.4.1 BORROWINGS

Non-current funding increased by DKK 8.4bn due to the issue of a 10-year EUR 500m bond maturing in March 2030 and a 7-year EUR 500m bond maturing in June 2027. Both bonds were issued to secure continued strong liquidity and financial flexibility.

Gross financial debt

DKK million	2020	2019
Non-current		
Issued bonds	27,002	19,673
Bank borrowings	922	27
Lease liabilities	1,080	1,165
Other borrowings	287	14
Total	**29,291**	**20,879**
Current		
Bank borrowings	472	347
Lease liabilities	398	424
Other borrowings	98	3,350
Total	**968**	**4,121**
Total borrowings	**30,259**	**25,000**
Fair value	31,741	26,423

An overview of issued bonds is provided in section 4.5.

Changes in gross financial debt

DKK million	2020	2019
Gross financial debt at 1 January	**25,000**	**24,114**
Recognition of lease liabilities	-	1,592
Restated gross financial debt at 1 January	**25,000**	**25,706**
Proceeds from issue of bonds	7,402	2,946
Repayment of bonds	-	-5,598
Instalments on and proceeds from borrowings, long term	1,155	-236
Instalments on and proceeds from European Commercial Papers	-3,264	3,264
Release of prepayment received for disposal of the former brewery site in Hamburg, Germany	-	-1,026
Instalments on lease liabilities	-414	-414
Instalments on and proceeds from intercompany loans and borrowings	-230	547
Other	180	129
External financing	**4,829**	**-388**
Change in bank overdrafts	62	-82
Increase in lease liabilities, net	190	411
Intercompany loans	237	-669
Other, including foreign exchange adjustments and amortisation	-59	22
Gross financial debt at 31 December	**30,259**	**25,000**

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 353m at 31 December 2020 (2019: DKK 188m). The average interest rate on these deposits was 2.7% (2019: 4.3%).

During 2020, the Group had an increased focus on liquidity and maintaining sufficient cash at bank to better protect against the uncertainties and increased risks in relation to COVID-19. Total cash at bank amounted to DKK 8,093m in 2020 (2019: DKK 5,222m).

Cash and cash equivalents

DKK million	2020	2019
Cash and cash equivalents	8,093	5,222
Bank overdrafts	-135	-73
Cash and cash equivalents, net	**7,958**	**5,149**

ASSESSMENT OF CREDIT RISK

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

The Group has established a credit policy under which financial transactions may be entered into only with financial institutions with a solid credit rating.

The Group primarily enters into financial instruments and transactions with the Group's relationship banks, i.e. 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.

EXPOSURE TO CREDIT RISK

The carrying amount of DKK 8,093m (2019: DKK 5,222m) represents the maximum credit exposure related to cash and cash equivalents.

The credit risk on receivables is described in section 1.5.1.

SECTION 4.5

INTEREST RATE RISK

The Group's exposure to interest rate risk is considered limited. At the reporting date, 127% of the net financial debt consisted of fixed-rate borrowings with interest rates fixed for more than one year (2019:100%). As 111% of the Group's net debt is in EUR, the interest rate exposure primarily relates to the development in the interest rates for EUR.

The share of fixed-rate net financial debt in CNY is negative (-78%) as the cash position exceeds the total debt. For USD and EUR, the share is positive (225% and 111% respectively) as the cash position exceeds the current debt.

The interest rate risk is measured by the duration of the net financial debt. The target is to have a duration between three and eight years. At 31 December 2020, the duration was 5.6 years (2019: 4.4 years). Interest rate risk is mainly managed using fixed-rate bonds.

SENSITIVITY ANALYSIS

It is estimated that a 1 percentage point interest rate increase would lead to a decrease in interest expenses of DKK 60m (2019: DKK 0m). The impact is due to the relatively 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 1,242m (2019: DKK 865m), 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 sensitivity analysis is based on the financial instruments recognised at the reporting date.

The sensitivity analysis assumes a parallel shift in interest rates and that all other variables 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 2019. The Group did not enter into any new interest rate swaps in 2020 or 2019.

Net financial debt by currency

DKK million				Interest rate	
2020	Net financial debt	Floating	Fixed	Floating %	Fixed[1] %
EUR	24,298	-2,786	27,084	-11%	111%
CNY	-1,058	-1,884	826	178%	-78%
PLN	-29	-29	-	100%	0%
USD	119	-149	268	-125%	225%
CHF	33	33	-	100%	0%
RUB	113	113	-	100%	0%
Other	-1,310	-1,310	-	100%	0%
Total	**22,166**	**-6,012**	**28,178**	**-27%**	**127%**
2019					
EUR	22,750	3,000	19,750	13%	87%
CNY	-1,770	-1,770	-	100%	-
PLN	14	14	-	100%	-
USD	-101	-101	-	100%	-
CHF	122	122	-	100%	-
RUB	51	51	-	100%	-
Other	-1,288	-1,288	-	100%	-
Total	**19,778**	**28**	**19,750**	**0%**	**100%**

[1]The percentage of net debt at fixed interests are 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

2020	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
Issued bonds					
EUR 750m maturing 15 November 2022	Fixed	2.7%	2-3 years	5,570	Fair value
EUR 500m maturing 6 September 2023	Fixed	0.7%	3-4 years	3,703	Fair value
EUR 1,000m maturing 28 May 2024	Fixed	2.6%	4-5 years	7,403	Fair value
EUR 500m maturing 30 June 2027	Fixed	0.5%	> 5 years	3,691	Fair value
EUR 400m maturing 1 July 2029	Fixed	1.0%	> 5 years	2,942	Fair value
EUR 500m maturing 11 March 2030	Fixed	0.7%	> 5 years	3,693	Fair value
Total issued bonds		**1.6%**		**27,002**	
Total issued bonds 2019		**2.0%**		**19,673**	
Bank borrowings and other borrowings					
Floating-rate	Floating	1.1%	< 1 year	2,081	Cash flow
Fixed-rate	Fixed	2.9%	> 1 year	1,176	Fair value
Total bank borrowings and other borrowings				**3,257**	
Total bank borrowings and other borrowings 2019				**5,327**	

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

The most significant net risk relates to foreign exchange adjustment of net investments in RUB. This is because of the size of the net investments in RUB combined with the currency's high volatility.

Where the fair value adjustments of forward exchange contracts do not exceed the fair value adjustments of the investment, the adjustments of the financial instruments are recognised in other comprehensive income. At 31 December 2020, 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 2020 amounted to DKK 84m (2019: DKK -91m). The closing balance in the equity reserve for currency translation of hedges of net investments amounted to DKK -1,611m (2019: DKK -1,628m). Positive fair values of derivatives are recognised as other receivables and negative values as other liabilities.

Currency profile of borrowings

Before and after derivative financial instruments

DKK million

2020	Original principal	Effect of swap	After swap
CHF	119	1,477	1,596
NOK	190	619	809
EUR	27,730	-6,327	21,403
USD	495	1,689	2,184
CNY	864	1,833	2,697
Other	861	709	1,570
Total	**30,259**	**-**	**30,259**
Total 2019	**25,000**	**-**	**25,000**

Net investment hedges

	Hedging of investment, amount in local currency		Intra-group loans, amount in local currency		Other comprehensive income (DKK)		Average hedged rate		2020 Fair value of derivatives		2019 Fair value of derivatives	
DKK million	2020	2019	2020	2019	2020	2019	2020	2019	Asset	Liability	Asset	Liability
RUB	-	-	-	-	32	-77	-	-	-	-	-	-
CNY	-2,407	-1,500	-	-	-29	-63	0.9176	0.9257	56	-	-	-20
MYR	-292	-318	-	-	24	-35	1.5145	1.5656	8	-	-	-11
HKD	-	-	-1,077	-27	53	22	-	-	-	-	-	-
CHF	-305	-273	-	-	6	-50	6.9925	6.7148	40	-	-	-45
GBP	-	-	-	59	-27	30	-	-	-	-	-	-
NOK	-1,300	-1,300	3,000	3,000	-105	-	0.6874	0.7398	-	-19	-	-14
SEK	-	-	3,773	3,335	86	-114	-	-	-	-	-	-
PLN	-135	-135	-	-	12	-8	1.6201	1.7346	-	-1	-	-1
SGD	-	-	47	-154	16	-33	-	-	-	-	-	-
USD	-	-	-	-28	-5	3	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total					**63**	**-325**			**104**	**-20**	**-**	**-91**

SECTION 4.6 (CONTINUED)

FOREIGN EXCHANGE RISK RELATED TO NET INVESTMENTS AND FINANCING ACTIVITIES

4.6.3 EXCHANGE RATE RISK ON CASH AND BORROWINGS

The main principle for funding of subsidiaries is that cash, loans and borrowings should be denominated in local currency or hedged to local currency to avoid foreign exchange risk. However, in some Group entities, net debt is 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 Eastern Europe that hold cash and loans in EUR and USD and in this way obtain proxy hedging of the foreign exchange risk associated with the purchase of goods in foreign currency in these markets.

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 1.3 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 2020, net interest-bearing debt increased by DKK 297m (2019: decreased by DKK 14m) due to changes in foreign exchange rates.

SENSITIVITY ANALYSIS

An adverse development in the exchange rates would, all other things being unchanged, have had the hypothetical impact on the income statement and other comprehensive income (OCI) for 2020 illustrated in the tables. The calculations have been made based on items in the statement of financial position at 31 December 2020.

Exchange rate sensitivity - other comprehensive income

2020					2019	
DKK million	Average hedged rate	Notional amount	Change	Effect on OCI	Average hedged rate	Effect on OCI
NOK/DKK	0.6913	-663	5%	-33	0.7383	-34
SEK/DKK	0.7078	-668	5%	-33	0.7009	-32
PLN/DKK	1.6649	-508	5%	-25	1.7015	-26
CHF/DKK	6.9217	-456	5%	-23	6.7438	-24
RUB/DKK	0.0854	-140	10%	-14	0.0991	-29
GBP/DKK	8.3212	-111	5%	-6	8.3781	-6
Other	N/A	-142	5%	-7	N/A	-1
Total				**-141**		**-152**

Exchange rate sensitivity - income statement

2020								2019
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	550	-348	-483	-281	-281	5%	-14	-6
EUR/NOK	118	-873	586	-169	-169	5%	-8	-9
EUR/PLN	232	-238	54	48	48	5%	2	-
EUR/KZT	-	-18	367	349	349	10%	35	28
EUR/RUB	5	-71	274	208	208	10%	21	15
EUR/SEK	159	-296	78	-59	-59	5%	-3	-1
EUR/CHF	100	-174	-270	-344	-344	5%	-17	-1
Total							**16**	**26**

								2019
2020	USD receivable	USD payable	USD cash	Gross exposure	Exposure, net of hedging	Change	Effect on P/L	Effect on P/L
USD/RUB	-	-1	284	283	283	10%	28	29
USD/UAH	-	-1	88	87	87	10%	9	16
Total							**37**	**45**

SECTION 4.6 (CONTINUED)

FOREIGN EXCHANGE RISK RELATED TO NET INVESTMENTS AND FINANCING ACTIVITIES

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 and sales.

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	2020	2019	2020	2019
Swiss franc (CHF)	6.8521	6.8712	6.9656	6.7135
Chinese yuan (CNY)	0.9284	0.9555	0.9452	0.9654
Euro (EUR)	7.4393	7.4697	7.4539	7.4659
Pound sterling (GBP)	8.2378	8.7664	8.3838	8.5218
Laotian kip (LAK)	0.0007	0.0008	0.0007	0.0008
Norwegian krone (NOK)	0.7053	0.7587	0.6958	0.7582
Polish zloty (PLN)	1.6327	1.7548	1.6770	1.7377
Russian rouble (RUB)	0.0820	0.1077	0.0915	0.1033
Swedish krona (SEK)	0.7397	0.7155	0.7120	0.7049
Ukrainian hryvnia (UAH)	0.2142	0.2827	0.2438	0.2594

SECTION 4.7

FUNDING AND LIQUIDITY RISK

The Group's overall objective is to ensure continuous access, at the right price, to the financial resources needed for operations and growth.

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 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.

At 31 December 2020, bonds accounted for 89% of the gross funding.

Committed credit facilities and credit resources available

DKK million

2020	Total committed loans and credit facilities	Utilised portion of credit facilities	Unutilised credit facilities	2019 Unutilised credit facilities
Current				
< 1 year	2,154	968	1,186	1,531
Total current committed loans and credit facilities	**2,154**	**968**	**1,186**	**1,531**
Non-current				
1-2 years	6,730	6,730	-	-
2-3 years	3,959	3,959	-	-
3-4 years	7,701	7,701	-	-
4-5 years	14,954	75	14,879	14,939
> 5 years	10,826	10,826	-	-
Total non-current committed loans and credit facilities	**44,170**	**29,291**	**14,879**	**14,939**
Cash and cash equivalents			8,093	5,222
Current portion of utilised credit facilities	-	-	-968	-4,121
Credit resources available (total non-current committed loans and credit facilities less net debt)			**22,004**	**16,040**

SECTION 4.7 (CONTINUED)

FUNDING AND LIQUIDITY RISK

The Group still has access to a committed EUR 2bn revolving credit facility (RCF) maturing in 2025 that 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.

FUNDING STRATEGY AND REACTION TO COVID-19

Since March 2020 and the first COVID-19 lockdowns in Western Europe, the Group has maintained a central cash position of minimum EUR 200m as a safety measure. In addition, a special effort has been made to improve cash flow forecasting, including introducing frequent short-term cash flow updates.

In March, Carlsberg issued a 10-year EUR 500m bond and secured a EUR 500m bank loan as a precaution against the market uncertainty. In addition, Carlsberg issued a 7-year EUR 500m bond in June, which was used to repay the bank loan issued in March.

CREDIT RESOURCES AVAILABLE

The Group uses the term "credit resources available" to determine the adequacy of access to credit facilities.

The 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 2020, the Group had total credit resources available of DKK 22,013m, consisting of cash and cash equivalents of DKK 8,093m plus committed unutilised non-current credit facilities of DKK 14,879m less utilisation of current facilities of DKK -959m. Including current credit facilities of DKK 1,186m, total committed unutilised credit facilities amounted to DKK 16,065m.

Credit resources available increased by DKK 6.0bn compared with 2019, primarily due to the issuance of the two bonds for a total of EUR 1.0bn. Both bonds were issued to secure continued strong liquidity and financial flexibility.

The credit resources available and the access to unused committed credit facilities are considered reasonable in light of the Group's current needs in terms of financial flexibility.

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

The Group uses cash pools for day-to-day liquidity management in most of the entities in Western Europe, as well as intra-group loans to subsidiaries. Eastern Europe and Asia are less integrated in terms of cash pools, and liquidity is managed via intra-group loans.

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.

Time to maturity for non-current borrowings

DKK million

2020	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	5,570	3,703	7,403	-	10,326	27,002
Bank borrowings	723	70	127	2	-	922
Lease liabilities	345	96	81	72	486	1,080
Other non-current borrowings	92	90	90	1	14	287
Total	**6,730**	**3,959**	**7,701**	**75**	**10,826**	**29,291**
Total 2019	**412**	**5,729**	**3,821**	**7,465**	**3,452**	**20,879**

Maturity of financial liabilities

DKK million

2020	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
Derivative financial instruments					
Derivative financial instruments, payables	142	142	-	-	127
Non-derivative financial instruments					
Gross financial debt	30,435	968	18,552	10,915	30,259
Interest expenses	1,654	492	950	212	N/A
Trade payables and other liabilities	18,126	18,126	-	-	18,126
Contingent liabilities	304	304	-	-	304
Contingent considerations	5,290	110	5,180	-	5,290
Non-derivative financial instruments	**55,809**	**20,000**	**24,682**	**11,127**	**-**
Financial liabilities	**55,951**	**20,142**	**24,682**	**11,127**	**-**
Financial liabilities 2019	**55,240**	**23,935**	**27,696**	**3,609**	**-**

SECTION 4.7 (CONTINUED)

FUNDING AND 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 30,435m (2019: DKK 25,153), whereas the total carrying amount was DKK 30,259m (2019: DKK 25,000m). 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 2020.

The cash flow is estimated based on the notional amount of the above-mentioned borrowings and expected interest rates at year-end 2020 and 2019. Interest on debt recognised at year-end 2020 and 2019 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 2.5% (2019: 1%).

SECTION 4.8

DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into various derivative financial instruments to hedge foreign exchange and commodity risks, cf. sections 1.2 and 1.3, and seeks to apply hedge accounting when this is possible. Hedging of future, highly probable forecast transactions is designated as cash flow hedges.

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.

Cash flow hedges comprise aluminium hedges, where the hedged item is aluminium cans that will be used in a number of Group entities in 2021. The hedging instrument is aluminium swaps.

The impact on other comprehensive income from other instruments relates to hedges of Group entities' exposure to changes in aluminium prices.

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.

Cash flow hedges

DKK million					Expected recognition
2020	Other comprehensive income	Fair value receivables	Fair value payables	Fair value, net	2021
Exchange rate instruments	51	13	-21	-8	-8
Other instruments	84	60	-	60	60
Total	**135**	**73**	**-21**	**52**	**52**
2019	Other comprehensive income	Fair value receivables	Fair value payables	Fair value, net	2020
Exchange rate instruments	-60	-	-56	-56	-56
Other instruments	62	-	-24	-24	-24
Total	**2**	**-**	**-80**	**-80**	**-80**

Financial derivatives not designated as hedging instruments (economic hedges)

DKK million 2020	Income statement	Fair value receivables	Fair value payables	Fair value, net
Exchange rate instruments	-47	-	-78	-78
Ineffectiveness	-2	-	-	-
Total	**-49**	**-**	**-78**	**-78**
2019				
Exchange rate instruments	81	56	-13	43
Ineffectiveness	7	-	-	-
Total	**88**	**56**	**-13**	**43**

SECTION 4.8 (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2020, the hedging reserve within equity included DKK 843m in relation to cash flow hedges for which hedge accounting is no longer applied.

Fair value adjustments of derivative financial instruments that are not designated either as net investment hedges or as cash flow hedges are recognised in financial income and expenses.

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 and aluminium 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 amounts are 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.

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, associates or joint ventures.

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, associates and joint ventures are accounted for in the same way as cash flow hedges.

SECTION 5

ACQUISITIONS, DISPOSALS, ASSOCIATES AND JOINT VENTURES

Marston's brewing activities

Forming the jointly owned entity Carlsberg Marston's Brewing Company by injection of the Group's UK brewing activities and the brewing activities from Marston's PLC.

China

Reorganisation of the Group's Chinese entities into the Chongqing Brewery Group.

Wernes-grüner

Prepayment on the acquisition of Wernesgrüner Brewery, Germany. The acquisition completed 1 January 2021.

SECTION 5.1

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.

Therefore, when the Group expands its business, it often does so in collaboration with a local partner. Such a partnership can take different legal forms and impacts the consolidated financial statements to a varying degree accordingly.

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 the controlling influence 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 and joint ventures 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 the partner receives from the business are – for accounting purposes – classified as financial expenses.

SECTION 5.1 (CONTINUED)

INVESTMENT MODEL AND RISKS

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 for the development 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. Such different goals and priorities can become more pronounced in the period before 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 our partner is exiting the business. In the long term, however, the impact can be significant to the operation of the local entity and the collaboration with customers, distributors, authorities etc. if the partner was instrumental in managing these relationships. Therefore, the risk of a partnership dissolution may have a negative impact on the underlying business and the financial performance recognised in the consolidated financial statements.

SECTION 5.2

ACQUISITIONS AND DISPOSALS

ACQUISITION OF ENTITIES

Marston's brewing activities

In October 2020, Carlsberg UK and Marston's PLC injected their respective brewing activities into a jointly owned company named Carlsberg Marston's Brewing Company Limited.

Carlsberg is the controlling shareholder with a shareholding of 60%.

The jointly owned company was formed to strengthen the Group's presence in the important UK market through a stronger beer portfolio. The calculated goodwill represents staff competences and synergies from expected optimisations of sales and distribution, supply chain and procurement, possible product innovations, the increase in market share and access to new customers.

The total cost of the acquisition comprises the cash consideration paid, a contingent consideration and the fair value of the 40% of Carlsberg UK businesses that were effectively transferred to Marston's PLC when the Carlsberg entities were injected into the jointly owned company.

The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities is ongoing. Adjustments are therefore expected to be made to several items in the opening balance, including brands and property, plant and equipment. The accounting treatment of the acquisition will be completed within the 12-month period required by IFRS.

Acquisition of Marston's brewing activities

DKK million	2020
Consideration paid	1,908
Fair value of contingent consideration	61
Fair value of non-controlling shareholding in Carlsberg UK transferred to the seller	548
Foreign currency exchange translation difference	13
Total cost of acquisition	**2,530**
Acquired assets and liabilities	
Intangible assets	1,812
Property, plant and equipment	1,265
Financial assets	66
Inventories	235
Trade and other receivables	414
Borrowings and lease liabilities	-174
Trade payables	-302
Other payables	-307
Acquired assets and liabilities	**3,009**
Non-controlling interests	-479
Acquired assets and liabilities attributable to shareholder in Carlsberg Breweries A/S	**2,530**

Other

In 2020, the Group adjusted a purchase price allocation made in prior years due to an error in the recognised fair value of land. The adjustment reduced the recognised value of land by DKK 273m and deferred tax by DKK 56m, and increased goodwill by DKK 217m. The comparative figures have been restated accordingly.

In 2019, the Group completed a minor acquisition of DKK 18m.

ACQUISITION OF BRAND RIGHTS

In 2020, the Group acquired the Brooklyn brand rights in our markets. The brand rights are recognised as an intangible asset.

The acquisition is described in section 2.

ACQUISITION OF ENTITIES IN 2021

On 31 December 2020, the Group prepaid DKK 501m for the acquisition of Wernesgrüner Brewery, Germany. The transaction has been completed, and the entity will be fully consolidated as of 1 January 2021. The acquisition is not material to the Group's financial statements.

SECTION 5.2 (CONTINUED)

ACQUISITIONS AND DISPOSALS

CASH FLOW

Cash flow to acquire 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 recognised in financing activities.

Elements of cash consideration paid and received

DKK million	2020	2019
Cash consideration received/paid, subsidiaries, net	-1,908	-18
Prepayment for acquisition of entities not completed at the reporting date	-501	-
Cash consideration received/paid, associates	8	-41
Cash and cash equivalents acquired/disposed of	-	18
Total cash consideration received/paid, net	**-2,401**	**-41**
- of which consideration paid for entities acquired	-2,409	-18
- of which consideration received for entities disposed	8	-
Cash flow from acquisition of shareholdings		
Cash flow from acquisitions, net, included in investing activities	-2,401	-41
Consideration paid for acquisition of non-controlling interests	-81	-1,670
Total	**-2,482**	**-1,711**

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

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 a theoretically calculated 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 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.

Acquisition of Marston's brewing activities

Purchase price allocation

Management believes that the purchase price for Marston's brewing activities accounted for in the consolidated financial statements reflects the best estimate of the total fair value of the business. The fair value of the contingent consideration is primarily based on the expected development in market conditions.

The provisional opening balance recognised in the consolidated financial statements is based on the carrying amounts at the time of injection of Marston's PLC's brewing activities into a newly established entity held by the joint venture.

The purchase price allocation of the identified assets, liabilities and contingent liabilities will be completed within 12 months of the acquisition. This is primarily expected to impact the value of brands, property, plant and equipment, trade loans and trade receivables.

Brands

The value of the brands will be estimated using the Group's principle described above. It is expected that significant brands will be assumed to have an indefinite useful life.

Property, plant and equipment

The fair value and expected useful life of the brewery equipment and related buildings of the six acquired breweries will be determined with assistance from leading external engineering experts in the brewery industry.

SECTION 5.2 (CONTINUED)

ACQUISITIONS AND DISPOSALS

Trade loans and receivables

The fair value of the trade loans and receivables will be estimated in line with the Group's principle for assessment of credit risk and recognition of impairment losses to reflect the amount that is expected to be collected. The valuation will take into consideration the expected increase in losses in the on-trade segment due to the restrictions and lockdowns under COVID-19.

Goodwill

Goodwill will be allocated to the CGU covering the Western Europe region in line with the allocation of the Group's existing UK business.

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 or a joint venture.

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.

In a step acquisition, the Group gains control of an entity in which it already held a shareholding. The shareholding held before the step acquisition is remeasured at fair value at the acquisition date, added to the fair value of the consideration paid for the shareholding acquired in the step acquisition and accounted for as the total cost of the shareholding in the acquired entity. The gain or loss on the remeasurement is recognised in the income statement under special items.

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

Gains or losses on the disposal or liquidation of subsidiaries, associates and joint ventures are stated as the difference between the sales price and the carrying amount of net assets (including goodwill) at the date of disposal or liquidation, foreign exchange adjustments recognised in other comprehensive income, and costs to sell or liquidation expenses.

SECTION 5.3

NON-CONTROLLING INTERESTS

MATERIAL ASSET RESTRUCTURING IN CHINA

In December 2020, Carlsberg and Chongqing Brewery Co. completed a material asset restructuring and contributed their controlled Chinese assets to Chongqing Jianiang Brewery.

Chongqing Jianiang Brewery is jointly owned by Chongqing Brewery Co. (51%) and the Carlsberg Group (49%). The ownership remains unchanged following the completion of the restructuring, and the ownership of the listed company Chongqing Brewery Co. is also unchanged at 60%. The Group thereby directly and indirectly holds 79% of Chongqing Jianiang Brewery.

At completion, the Group's ownership of the assets it injected (previously 70-100% owned) thereby declined to 56-79%, while the Group's ownership of the assets injected by Chongqing Brewery Co. increased from 60% to 79%.

Effectively, the transactions thereby exchange shareholdings of the injected entities between the Group and the non-controlling shareholders in Chongqing Brewery Co.

The fair value of the entities injected by the Carlsberg Group exceeds that of the entities injected by Chongqing Brewery Co. In addition to the exchange of shareholdings, Chongqing Brewery Co. will therefore pay a cash amount to the Group. The amount will be determined based on 2020 earnings and paid in April 2021.

The transaction is accounted for as an equity transaction with the non-controlling interests and resulted in a net increase in equity for non-controlling interests and a corresponding

Transactions with non-controlling interests

DKK million	Changes in equity		
2020	Shareholder in Carlsberg Breweries A/S	Non-controlling interests	Total equity
Change in ownership from asset restructuring in China	-553	553	-
Transaction cost related to asset restructuring in China	-51	-26	-77
Fair value adjustments of contingent consideration and other transactions with non-controlling interests	3,748	87	3,835
Recognised in equity	**3,144**	**614**	**3,758**
2019	**-4,466**	**-55**	**-4,521**
Disposal of 40% of Carlsberg UK to Marston's	-182	730	548
Non-controlling interest in Marston's brewing activities retained by Marston's	-	479	479
Acquisition of entities	**-182**	**1,209**	**1,027**

SECTION 5.3 (CONTINUED)

NON-CONTROLLING INTERESTS

decrease for the shareholder in Carlsberg Breweries A/S.

The transaction was completed in December 2020 and had an insignificant impact on the allocation of profit for December 2020. At completion, the transferred shareholdings impacted the allocation of equity between the shareholder in Carlsberg Breweries A/S and non-controlling interests by DKK 553m.

CHANGES IN THE UK AS A RESULT OF THE ACQUISITION OF MARSTON'S BREWING ACTIVITIES

In October 2020, Carlsberg UK and Marston's PLC injected their respective brewing activities into a jointly owned company named Carlsberg Marston's Brewing Company Limited. The transaction is further described in section 5.2. Carlsberg is the controlling shareholder in the joint venture with a shareholding of 60%, having effectively transferred 40% of its businesses in the UK.

The fair value of the transferred shareholding is part of the total consideration paid for the brewing activities injected by Marston's PLC. At completion, the transferred shareholding impacted the allocation of equity between the shareholder in Carlsberg Breweries A/S and non-controlling interests by DKK 730m.

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 depending on market developments.

At the end of the reporting period, the contingent considerations primarily related to put options on the shares in Carlsberg South Asia Pte Ltd (the parent company holding 100% and 90% of the shares in the businesses in India and Nepal respectively), in Brewery Alivaria, Belarus, in a craft brewery in Western Europe, and to the contingent consideration in the acquisition of Marston's brewing activities.

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 is stated in section 10.

The carrying amount of contingent considerations is determined in accordance with the terms of the agreements made with the holders of the options. Therefore, not all are measured at fair value.

The valuation of put options at fair value decreased due to the COVID-19 impact on the businesses. The size of the decline differs from market to market depending on the impact of the pandemic, government actions, including lockdowns, and the expected time to return to the market conditions and earnings seen before the outbreak. Interest rates of 4.8-7.4% and residual growth rates of 4.0-5.0% were applied in the valuation of contingent considerations.

Other contingent considerations are linked to the development in the share price of selected beverage companies.

Movements during the year comprise acquisition of entities and fair value adjustments of contingent considerations, net of exercised put options during the year.

Of the contingent considerations, DKK 5bn (2019: DKK 9bn) is expected to fall due within one to five years, whereas the rest will fall due within 12 months. The majority of the contingent considerations are expected to fall due within the next few years.

In one of the agreements, the partner can initiate the put option process from 1 January 2021. Our partner has not yet initiated the put option process, and it is not expected that the options will be exercised during 2021.

TRANSACTIONS IN 2019

In 2019, the remaining outstanding shares in Caretech Limited (the parent company in the Cambrew Group) were acquired. The related contingent consideration was derecognised. A loss of DKK 526m was recognised in equity on exercise of these put options.

Contingent considerations

DKK million	2020	2019
Contingent considerations at 1 January	9,023	6,168
Movements, net	-3,733	2,855
Contingent considerations at 31 December	**5,290**	**9,023**

SECTION 5.4 (CONTINUED)

CONTINGENT CONSIDERATIONS

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 needed.

The fair values of other contingent considerations are measured at the expected future price of certain 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), which 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 AND JOINT VENTURES

Investments in associates and joint ventures include the businesses in Portugal (60%) and Myanmar (51%) and five associates in China (each 50%). The total investment in these associates amounted to DKK 2,589m at 31 December 2020 (2019: DKK 2,658m).

In 2019, the Group increased its ownership of Super Bock, Portugal, to 60%. Nevertheless, Super Bock remains an associate of the Group due to the ownership structure. Please refer to section 10 for further details.

Despite the legal 51% ownership share in Myanmar Carlsberg, the entity is classified as an associate due to the structure of the agreement with the partner.

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

Fair value of investment in listed associates

DKK million	2020	2019
The Lion Brewery Ceylon, Sri Lanka	382	443

None of the associates and joint ventures are material to the Group.

ACCOUNTING POLICIES

Investments in associates and joint ventures 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 and joint ventures 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 or joint venture, the deficit is recognised under provisions. Any amounts owed by associates and joint ventures are written down to the extent that the amount owed is deemed irrecoverable.

Key figures for associates and joint ventures

DKK million	Carlsberg Breweries Group share			
2020	Profit after tax	Other comprehensive income	Total comprehensive income	Investments in associates and joint ventures
Associates	298	-4	294	3,767
Joint ventures	-	-	-	-3
	298	**-4**	**294**	**3,764**
2019				
Associates	236	4	240	3,960
Joint ventures	-	-	-	-2
	236	**4**	**240**	**3,958**

SECTION 6

TAX

24.7%

TAX RATE

The tax rate is down from 26.7% in 2019.

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 nominal weighted tax rate declined compared with 2019, as Russia (tax rate 20%) and Laos (tax rate 20%) contributed a proportionally larger share, countered by Norway (tax rate 22%).

The effective tax rate of 24.7% (2019: 26.7%) was positively impacted by the non-taxable and non-deductible transactions in special items. Excluding these items, the effective tax rate would be 25.7%.

The Group's total tax cost at the effective tax rate was DKK 355m higher than the Group's nominal weighted tax, negatively impacted by withholding taxes (particularly on dividends), non-capitalised tax assets and non-deductible expenses (particularly marketing expenses and intercompany charges).

It is not possible to deduct all interest and fair value adjustments arising in Denmark due to thin capitalisation rules. Tax on such adjustments therefore 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, the tax effect of the programmes is recognised in tax on profit/loss for the year. However, if the total tax deduction exceeds the total expense, the tax benefit of the excess deduction is recognised directly in equity.

Reconciliation of the effective tax rate for the year

	2020		2019	
	%	DKK million	%	DKK million
Nominal weighted tax rate	20.8	1,885	21.8	2,255
Change in tax rate	0.1	9	-0.1	-8
Adjustments to tax for prior years	0.5	42	0.2	25
Non-capitalised tax assets, net movements	1.5	138	1.5	156
Non-taxable income	-0.6	-57	-0.5	-53
Non-deductible expenses	1.6	146	1.6	169
Tax incentives etc.	-0.5	-45	-0.3	-27
Special items	-	-3	-0.9	-103
Withholding taxes	1.8	167	3.8	395
Other, including tax in associates and joint ventures	-0.5	-42	-0.4	-43
Effective tax rate for the year	**24.7**	**2,240**	**26.7**	**2,766**
Effective tax rate for the year, excluding the effect of non-taxable and non-deductible transactions in special items	25.7	-	26.7	-

SECTION 6.1 (CONTINUED)

INCOME TAX

Income tax expenses

DKK million	2020 Income statement	2020 Other comprehensive income	2020 Total comprehensive income	2019 Income statement	2019 Other comprehensive income	2019 Total comprehensive income
Tax for the year can be specified as follows						
Current tax	2,023	22	2,045	2,147	5	2,152
Change in deferred tax and non-current tax payables during the year	166	42	208	602	-60	542
Change in deferred tax as a result of change in tax rate	9	-	9	-8	-	-8
Adjustments to tax for prior years	42	-	42	25	-	25
Total	**2,240**	**64**	**2,304**	**2,766**	**-55**	**2,711**

Tax recognised in other comprehensive income

DKK million	2020 Recognised item before tax	2020 Tax income/ expense	2020 After tax	2019 Recognised item before tax	2019 Tax income/ expense	2019 After tax
Foreign exchange adjustments	7,640	-	7,640	-3,485	-	-3,485
Hedging instruments	-198	22	-176	323	-20	303
Retirement benefit obligations	-2	42	40	569	-38	531
Share of other comprehensive income in associates and joint ventures	4	-	4	-4	-	-4
Other	-	-	-	-14	3	-11
Total	**7,444**	**64**	**7,508**	**-2,611**	**-55**	**-2,666**

SECTION 6.2

TAX ASSETS AND LIABILITIES

Of the total deferred tax assets recognised, DKK 124m (2019: DKK 312m) related to tax loss carryforwards, the utilisation of which depends on future positive taxable income exceeding the realised deferred tax liabilities. It is management's opinion that these tax loss carryforwards can be utilised.

Tax assets not recognised of DKK 936m (2019: DKK 678m) primarily related to tax losses that are not expected to be utilised in the foreseeable future. Of these, tax losses that will not expire amounted to DKK 962m (2019: DKK 472m). Remaining tax losses of DKK 355m (2019: DKK 206m) will expire within five years.

Deferred tax of DKK 41m (2019: DKK 54m) was recognised in respect of the tax of 5% payable on planned dividends from certain entities in Eastern Europe.

Planned distribution of reserves for other subsidiaries will not trigger a significant tax liability based on current tax legislation.

Deferred tax on temporary differences relating to investments in subsidiaries, associates and joint ventures was recognised at DKK 0m (2019: DKK 180m). The deferred tax plus the additional tax on the gain on the Group's internal transfer of shares is expected to materialise within the next few years.

SECTION 6.2 (CONTINUED)

TAX ASSETS AND LIABILITIES

Changes in deferred tax and non-current tax payables for the year amounted to DKK 160m (2019: DKK 608m).

Non-current tax liabilities recognised in the statement of financial position

DKK million	2020	2019
Deferred tax liabilities	4,118	3,992
Non-current tax payables	1,484	1,795
Non-current tax liabilities at 31 December	**5,602**	**5,787**

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Carlsberg operates in a large number of tax jurisdictions where tax legislation is highly complex and subject to interpretation. Management makes judgements 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, associates and joint ventures in countries levying withholding tax on distributions.

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

Deferred tax assets and tax liabilities are offset if the entity has a legally enforceable right to offset current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets or to realise the assets and settle the liabilities simultaneously. Deferred tax assets are 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	2020	2019
Tax assets and liabilities at 1 January, net	3,977	3,381
Adjustments to prior years	79	-203
Acquisition of entities	-	40
Recognised in other comprehensive income	42	-60
Recognised in the income statement, net	166	602
Change in tax rate	9	-8
Foreign exchange adjustments	-329	225
Tax assets and liabilities at 31 December, net	**3,944**	**3,977**
Recognised as follows		
Tax liabilities	5,602	5,787
Tax assets	-1,658	-1,810
Tax assets and liabilities at 31 December, net	**3,944**	**3,977**

Specification of deferred tax

	Deferred tax assets		Deferred tax liabilities	
DKK million	2020	2019	2020	2019
Intangible assets	388	465	2,619	3,019
Property, plant and equipment	245	393	1,579	1,730
Current assets	386	367	25	28
Provisions and retirement benefit obligations	916	1,004	228	26
Fair value adjustments	35	-	10	-
Tax losses etc.	1,137	1,326	1,106	934
Total before offset	**3,107**	**3,555**	**5,567**	**5,737**
Offset	-1,449	-1,745	-1,449	-1,745
Deferred tax assets and liabilities at 31 December	**1,658**	**1,810**	**4,118**	**3,992**
Expected to be used as follows				
Within one year	959	689	1,701	2,115
After more than one year	699	1,121	2,417	1,877
Total	**1,658**	**1,810**	**4,118**	**3,992**

SECTION 7

STAFF COSTS AND REMUNERATION

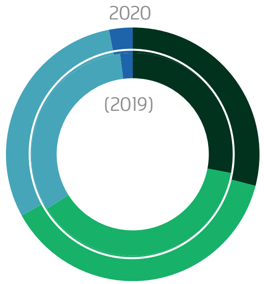
Reset

To prepare for a new post-COVID-19-reality, we initiated a review and reset of our total cost base towards the end of the year, called Reset for the future.

Pensions

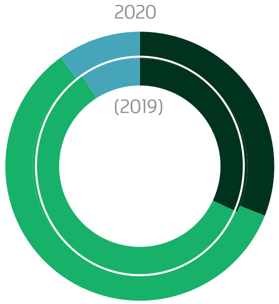
Defined benefit obligations were affected by lower discount rates across all markets as a result of the COVID-19 pandemic, and by the transfer of the large medical insurance scheme to the municipal government, releasing the Group from the obligation.

Employees by segment (%)



- Western Europe 29% (28%)
- Asia 38% (38%)
- Eastern Europe 30% (32%)
- Other 3% (2%)

by function (%)



- Production 31% (32%)
- Sales & Distribution 59% (59%)
- Administration 10% (9%)

SECTION 7.1

STAFF COSTS

Staff costs decreased for several entities in 2020 as a consequence of lower performance-related payouts due to COVID-19 and compared with the relatively high payouts for 2019 due to good financial performance. This was partly offset by increased redundancies etc.

During 2020, the average number of employees decreased due to terminations as part of Reset for the future, partly offset by the acquisition of Marston's brewing activities. As the restructurings and acquisition were completed in the second half of the year, the full impact is not visible in the average number of employees for the year.

Staff costs

DKK million	2020	2019
Salaries and other remuneration	7,764	8,465
Severance payments	176	87
Social security costs	1,172	1,344
Retirement benefit costs – defined contribution plans	297	294
Retirement benefit costs – defined benefit plans	-19	32
Share-based payments	58	207
Other employee benefits	92	57
Total	**9,540**	**10,486**
Average number of employees	**39,915**	**41,151**
Staff costs are included in the following line items in the income statement		
Cost of sales	2,672	2,866
Sales and distribution expenses	5,087	5,576
Administrative expenses	1,874	2,150
Other operating activities, net	5	-
Financial expenses (pensions)	-189	-133
Special items (restructurings)	91	27
Total	**9,540**	**10,486**

SECTION 7.2

REMUNERATION

The remuneration of the Supervisory Board, the executive directors and key management personnel of Carlsberg A/S is described in detail in the Remuneration Report.

The remuneration of key management personnel decreased in 2020, primarily as a result of the COVID-19 impact on the KPIs measured in both short- and long-term incentive programmes.

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 a long-term employee benefit.

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		Key management personnel	
DKK million	2020[2]	2019[2]	2020	2019
Fixed salary	20.7	20.2	29.7	26.5
Cash bonus	9.3	18.5	12.4	23.2
Other benefits	1.1	1.1	8.5	7.0
Severance payments	-	-	8.3	1.3
Remuneration settled in cash	**31.1**	**25.1**	**58.9**	**58.0**
Non-monetary benefits	0.4	0.4	1.1	0.7
Share-based payments[1]	26.0	37.0	10.5	21.4
Remuneration, non-monetary and share-based	**26.4**	**24.7**	**11.6**	**22.1**
Total cash and non-cash	**57.5**	**77.2**	**70.5**	**80.1**

[1] The amount of remuneration in the form of share-based payments in the table does not reflect the value of shares transferred to or cash equivalents received by the executive director during the year. The amount only reflects the technical accounting charge to the income statement that is required by IFRS.
[2] The remuneration of Heine Dalsgaard was recognised in the parent company Carlsberg A/S and is therefore not included in the staff cost disclosed in the consolidated financial statements for Carlsberg Breweries Group.

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 shareholder. There is no share-based incentive programme for 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 (2-3 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 have been awarded under three programmes that differ in terms of KPI structure and vesting period.

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.

Regular performance shares

In 2020, 189 employees (2019: 191 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 770 (2019: DKK 803). The average contractual life at the end of 2020 was 1.2 years (2019: 1.5 years).

FUND & GROW PERFORMANCE SHARES

The Fund & Grow performance share programme was set up in 2018 to align the initiatives driven by Group management in our SAIL'22 strategy with the interests of our shareholder. Shares were granted to 203 employees across the Group, not including the executive directors. The programme vested in 2020 with all KPIs fully achieved.

SECTION 7.3 (CONTINUED)

SHARE-BASED PAYMENTS

Share options

No share options have been granted since 2016. The outstanding options are all exercisable at the end of the reporting period. The average contractual life was 2.8 years (2019: 3.6 years).

Share option disclosures

DKK million	2020	2019
Fair value at 31 December	52	54

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[1]	Key management personnel	Other management personnel	Total
31 December 2018	203,484	88,919	511,528	803,931
Granted	61,331	27,569	167,119	256,019
Forfeited/expired/adjusted	-17,353	-18,240	-64,547	-100,140
Exercised/settled	-58,057	-	-	-58,057
31 December 2019	**189,405**	**98,248**	**614,100**	**901,753**
Granted	48,991	22,550	129,828	201,369
Forfeited/adjusted/transferred	-28,919	-16,970	-160,589	-206,478
Exercised/settled	-66,865	-49,277	-306,043	-422,185
31 December 2020	**142,612**	**54,551**	**277,296**	**474,459**

[1]The number of shares granted to Heine Dalsgaard in the parent company Carlsberg A/S are included in the number of shares disclosed in the consolidated financial statements for Carlsberg Breweries Group.

Key information

	Regular performance shares		Fund & Grow performance shares
	2020	2019	2018
Assumptions			
Expected volatility	16.0%/21.0%	16%	N/A
Risk-free interest rate	0.0%	0.0%	0.0%
Expected dividend yield	0.0/3.0%	2.3%	2.2%
Expected life of options, years	3.0	3.0	2.0
Fair value at measurement date	DKK 567-894	DKK 648-651	DKK 684

Performance share disclosures

	Regular		Fund & Grow	
	2020	2019	2020	2019
Fair value at grant date	116	153	-	-
Cost of shares granted in the year	24	42	-	-
Total cost of performance shares	48	94	10	112
Cost not yet recognised	116	147	7	14
Fair value at 31 December	413	448	-	360

Share options

	Exercise price	Number		
	Fixed, weighted average	Executive directors	Other management personnel	Total
31 December 2018	518	114,984	-	114,984
31 December 2019	**518**	**114,984**	**-**	**114,984**
31 December 2020	**518**	**114,984**	**-**	**114,984**

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/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.

60% (2019: 60%) of the Group's retirement benefit costs related to defined contribution plans. In 2020, the expense recognised in relation to these contributions was DKK 297m (2019: DKK 294m).

DEFINED BENEFIT PLANS

The defined benefit plans guarantee 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 50% and 38% respectively (2019: 47% and 39%), while the eurozone countries represented 5% (2019: 5%) of the gross obligation at 31 December 2020.

The majority of the obligations are funded, with assets placed in independent pension funds, mainly in Switzerland and the UK. In some countries, primarily Germany, Sweden and China, the obligation is unfunded. The retirement benefit obligations for these unfunded plans amounted to DKK 1,559m (2019: DKK 1,770m) or 11% (2019: 13%) of the gross obligation.

In 2020, the Group's obligation, net, on defined benefit plans decreased by DKK 363m compared with 2019 because of general decreases in the net obligation across the Group. Two particularly significant factors in this were the DKK 213m decrease in China, as a result of the municipal government in Xinjiang assuming responsibility for the long-term medical insurance scheme, and the DKK 305m net decrease in Switzerland, reflecting higher benefits paid out and an increase in the assets plan. This effect was partially offset by changes in actuarial assumptions in the UK, primarily lower discount rates, as an effect of the COVID-19 pandemic, which increased the net obligation, mainly due to actuarial losses of DKK 150m.

Obligation, net

			2020			2019
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	**13,738**	**10,472**	**3,266**	**12,205**	**9,331**	**2,874**
Recognised in the income statement						
Current service cost	223	-	223	199	-	199
Past service cost	-242	-	-242	-169	-	-169
Net interest on the net defined benefit obligation (asset)	160	114	46	256	189	67
Curtailments and settlements	-	-	-	2	-	2
Total	**141**	**114**	**27**	**288**	**189**	**99**
Remeasurements						
Gain/loss from changes in actuarial assumptions	50	-	50	-100	-	-100
Gain/loss from changes in financial assumptions	682	734	-52	1,452	717	735
Asset ceiling	-	-	-	-	66	-66
Total	**732**	**734**	**-2**	**1,352**	**783**	**569**
Other changes						
Contributions to plans	-	182	-182	-	225	-225
Benefits paid	-605	-504	-101	-591	-486	-105
Acquisition and disposal of entities, net	-	-	-	1	-	1
Transfers	-28	7	-35	1	-	1
Foreign exchange adjustments etc.	-421	-351	-70	482	430	52
Total	**-1,054**	**-666**	**-388**	**-107**	**169**	**-276**
Obligation at 31 December	**13,557**	**10,654**	**2,903**	**13,738**	**10,472**	**3,266**

The total return on plan assets for the year amounted to DKK 850m (2019: DKK 906mm).

SECTION 7.4 (CONTINUED)

RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS

The Group expects to contribute DKK 74m (2019: DKK 79m) to the plan assets in 2021. Plan assets do not include shares in or properties used by Group companies.

Amounts recognised in other comprehensive income for 2020 totalled DKK -430m (2019: net gain of DKK 679m), comprising foreign exchange adjustment, DKK 129m, and net actuarial loss, DKK 299m, which in 2019 included reversal of an asset ceiling in the UK of DKK 66m.

The accumulated actuarial loss and foreign exchange adjustment recognised at 31 December 2020 was DKK 3,220m (2019: DKK 3,645m), with actuarial net losses of DKK 3,667m (2019: DKK 3,669m).

Assumptions applied

In 2020, 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 tables for post-retirement and AMC00/AFC00 for pre-retirement, both with CMI_2019 projections, while the Swiss entities use BVG 2015 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 2020 was 21 years. The duration is calculated using a weighted average of the duration divided by the obligation.

Breakdown of plan assets

	2020		2019	
	DKK million	%	DKK million	%
Shares	992	9	1,004	10
Bonds and other securities	7,578	71	7,080	68
Real estate	1,914	18	2,231	21
Cash and cash equivalents	170	2	157	1
Total	**10,654**	**100**	**10,472**	**100**

Assumptions applied

2020	CHF	UK	EUR	Other	Weighted average
Discount rate	0.2%	1.6%	0.3 - 0.7%	1.8%	0.6%
Growth in wages and salaries	1.0%	2.1%	0.2 - 2.7%	2.0%	1.2%
2019					
Discount rate	0.1%	2.2%	0.3-0.9%	2.5%	1.3%
Growth in wages and salaries	1.0%	2.2%	0.0-2.7%	3.2%	1.8%

Sensitivity analysis

	2020		2019	
DKK million	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	-1,513	1,716	-1,062	1,217
Growth in wages and salaries	74	-67	70	-65
	+1 year	-1 year	+1 year	-1 year
Mortality	454	-376	580	-582

Maturity of retirement benefit obligations

DKK million	< 1 year	1-5 years	> 5 years	Total
2020	608	2,300	10,649	13,557
2019	445	2,108	11,185	13,738

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 return on plan assets, 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 at the beginning of the year.

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

Fees to auditors appointed by the Annual General Meeting

DKK million	2020	2019
PwC, including network firms		
Statutory audit	20	19
Other assurance engagements	1	-
Tax advisory	2	2
Other services	2	7
Total	**25**	**28**

Fees for services other than the statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 2m (2019: DKK 8m), including advice relating to information security, internal controls, and 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. During the year, the Group had the following transactions with the parent and ultimate parent company (the Carlsberg Foundation). .

Carlsberg A/S received a dividend of DKK 6,395 per share, amounting to DKK 3,204m, a loan facility of DKK 1,159m at 31 December 2019 and paid interest of DKK 11m to Carlsberg Breweries A/S.

In 2020, the Carlsberg Foundation contributed DKK 52m that will be used to support the rebuilding of the Carlsberg Visitor Centre during 2021 and 2022 to better showcase Carlsberg's rich history and value creation.

Ny Carlsberg Glyptotek received event products free of charge from the Group as part of the sponsorship of certain events at an accumulated value of DKK 0.01m.

The Group's delivery of beer and soft drinks to the Carlsberg Foundation is charged at ordinary listing price minus a discount. In 2020, the deliveries amounted to DKK 0.1m (total sales of goods) (2019: DKK 0.2m).

Carlsberg Breweries A/S leases storage facilities in the researcher apartments. These lease agreements are with subsidiaries of the Foundation. Both of the 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	2020	2019
Associates and joint ventures		
Revenue	78	72
Cost of sales	-756	-703
Sales expenses	-14	-
Interest income	15	-
Loans	213	241
Receivables	-	48
Trade payables and other liabilities	-10	-2

SECTION 8.3

EVENTS AFTER THE REPORTING PERIOD

On 1 January 2021, the Group completed the minor acquisition of Wernesgrüner Brewery, Germany, which will be fully consolidated as of the acquisition date.

Apart from this and 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

Changes in 2021

SEGMENTATION

The regional structure of the Group changed as of 1 January 2021 to rebalance the European regions in terms of size and number of business units. Consequently, the segmentation changed on the same date (in line with the structure).

SECTION 9.1

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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. The 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:	
Impairment testing, useful life and residual value	Section 2
Restructurings, provisions and contingencies	Section 3
Receivables	Section 1
Tax assets and liabilities	Section 6
Defined benefit obligations	Section 7
Acquisitions and disposals, including contingent considerations	Section 5

SECTION 9.2

GENERAL ACCOUNTING POLICIES

The Group's 2020 consolidated financial statements 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 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.

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.

On consolidation, intra-group income and expenses, shareholdings, balances and dividends, and realised and unrealised gains are eliminated. Unrealised gains on transactions with associates and joint ventures are

SECTION 9.2 (CONTINUED)

GENERAL ACCOUNTING POLICIES

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 are included in the Group's profit/loss and equity but are disclosed separately. Entities acquired or established in 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 and joint ventures 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:

- Earnings per share, adjusted, and payout ratio, adjusted
- 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.
Equity ratio	Equity attributable to the shareholder in Carlsberg Breweries A/S at year-end as a percentage of total assets at year-end.
NIBD/equity ratio[1]	Net interest-bearing debt[3] at year-end divided by total equity at year-end.
NIBD/EBITDA[1]	Net interest-bearing debt[3] divided by operating profit before depreciation, amortisation and impairment losses.
Interest cover[1]	Operating profit before special items divided by interest expenses, net.
Payout ratio	Proposed dividend for the year as a percentage of consolidated profit, excluding non-controlling interests.

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 2020

The Annual Report 2020 has been prepared using the same accounting policies for recognition and measurement as those applied to the consolidated financial statements for 2019, except for the following Amendments that were adopted as of 1 January 2020:

- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 3 “Business Combinations”
- Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest rate benchmark reform”
- Amendments to “References to the Conceptual Framework in IFRS Standards”

The, 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 2020.

SECTION 9.4

NEW LEGISLATION

NEW AND AMENDED IFRS STANDARDS

The following Amendments to IFRS became effective as of 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest rate benchmark reform – Phase 2”
- Amendment to IFRS 4 “Insurance Contracts”

The amendment to IFRS 3 is expected to be adopted by the EU in early 2021. The Group will adopt the amendment when it becomes mandatory.

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 2020.

NEW AND AMENDED IFRS STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE EU

The following Amendments that become effective in future years have been issued but not yet adopted by the EU:

- Amendments to IFRS 3 “Business Combinations”
- Amendment to IAS 16 “Property, Plant and Equipment”
- Amendment to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”
- Annual Improvements 2018-2020
- Amendment to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Current or Non-current – Deferral of Effective Date”

The new Standard is not mandatory for the financial reporting for 2020. The Group expects to adopt the new Standard when it becomes mandatory.

SECTION 9.5

NEW SEGMENTATION

NEW SEGMENTATION FOR 2021

The regional structure of the Group changed as of 1 January 2021, with the aim of rebalancing the European regions in terms of size and number of business units.

IFRS 8 requires that an entity discloses information about its operating segments, including profit and loss for each reportable segment. These segment disclosures should follow the "management approach", meaning they should be the same segments as are regularly reported to management.

The disclosure in the Annual Report follows the same regional segmentation as was used in the internal reporting to the Executive Committee throughout 2020.

As the management structure was unchanged during 2020, the segmentation used in the Annual Report 2020 continues without any changes compared with 2019.

The segmentation changed as of 1 January 2021, when the new management structure took effect. To provide transparency, it has been decided to disclose the effect of the new segmentation had it become effective at 1 January 2020 and as it will be disclosed in the comparative figures for 2020 in the Annual Report 2021.

The effect of the new segmentation

With the new segmentation the entities in the Baltic and Balkan countries, Greece and Italy (collectively known as the Southern Europe & Baltics markets) as well as Carlsberg Export & License move from the Western Europe region to Eastern Europe.

Eastern Europe will then be renamed Central & Eastern Europe to better reflect its new composition.

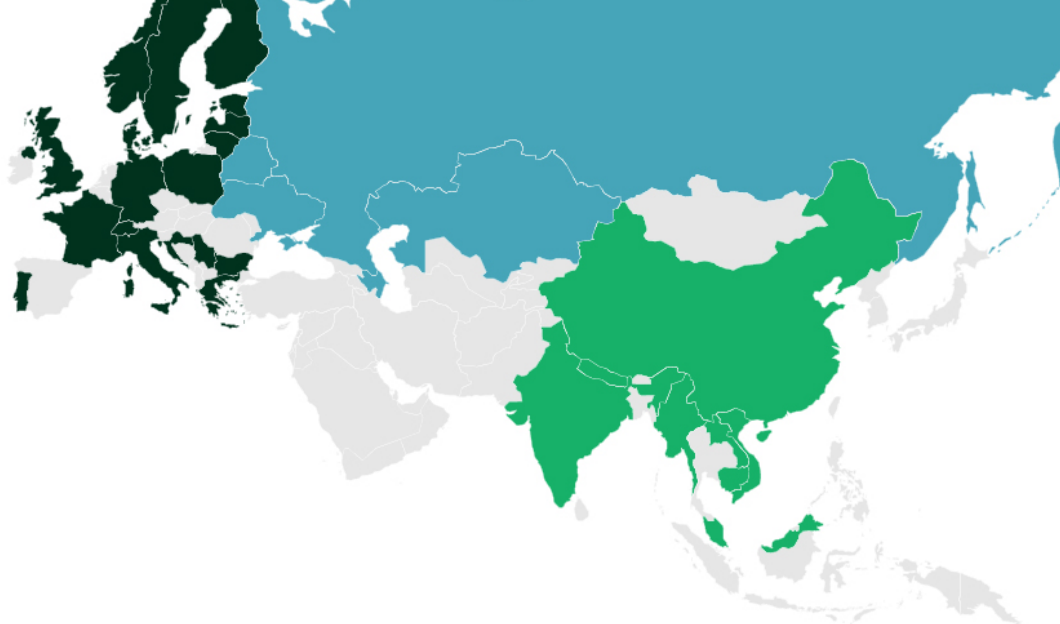
New segmentation

	2020					
	Reported			Restated		
DKK Million	Western Europe	Asia	Eastern Europe	Western Europe	Asia	Central & Eastern Europe
Revenue	**31,547**	**16,959**	**10,010**	**25,875**	**16,959**	**15,682**
Total cost	-26,763	-13,057	-8,093	-22,143	-13,057	-12,713
Share of profit after tax of associates and joint ventures	209	89	-	194	89	15
Operating profit before special items	**4,993**	**3,991**	**1,917**	**3,926**	**3,991**	**2,984**
Operating margin	15.8%	23.5%	19.2%	15.2%	23.5%	19.0%
Invested capital	33,215	17,225	19,109	28,232	17,225	24,092
Invested capital excl. goodwill	16,151	2,682	8,430	13,142	2,682	11,439
Acquisition of property, plant and equipment and intangible assets	1,474	1,395	552	1,258	1,395	768
Amortisation and depreciation	2,095	1,499	654	1,712	1,499	1,037
Impairment losses	50	292	10	44	292	16
Return on invested capital (ROIC)	12.0%	16.5%	7.6%	11.1%	16.5%	9.4%
ROIC excl. goodwill	24.0%	88.8%	17.4%	23.3%	88.8%	25.7%

New segmentation	Q1	Q2	H1	Q3	Q4	H2	FY
Beer (million hl)							
Western Europe	5.6	7.7	13.3	7.8	5.7	13.5	26.8
Asia	7.8	9.8	17.6	10.5	6.7	17.2	34.8
Central & Eastern Europe	9.0	13.4	22.4	15.6	10.5	26.1	48.5
Total	**22.4**	**30.9**	**53.3**	**33.9**	**22.9**	**56.8**	**110.1**
Non-beer (million hl)							
Western Europe	2.5	2.8	5.3	3.2	2.7	5.9	11.2
Asia	1.3	1.0	2.3	1.2	1.3	2.5	4.8
Central & Eastern Europe	0.7	1.2	1.9	1.2	0.9	2.1	4.0
Total	**4.5**	**5.0**	**9.5**	**5.6**	**4.9**	**10.5**	**20.0**
Total beverages (million hl)							
Western Europe	8.1	10.5	18.6	11.0	8.4	19.4	38.0
Asia	9.1	10.8	19.9	11.7	8.0	19.7	39.6
Central & Eastern Europe	9.7	14.6	24.3	16.8	11.4	28.2	52.5
Total	**26.9**	**35.9**	**62.8**	**39.5**	**27.8**	**67.3**	**130.1**
Revenue (DKK million)							
Western Europe	5,613	6,888	12,501	7,674	5,700	13,374	25,875
Asia	4,052	4,411	8,463	4,703	3,793	8,496	16,959
Central & Eastern Europe	3,275	4,582	7,857	4,873	2,952	7,825	15,682
Not allocated	6	3	9	9	7	16	25
Total	**12,946**	**15,884**	**28,830**	**17,259**	**12,452**	**29,711**	**58,541**

SECTION 10

GROUP COMPANIES



This section lists the subsidiaries, associates and joint ventures 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 shareholder of Carlsberg Breweries A/S in the consolidated financial statements.

Western Europe	Market	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Carlsberg Deutschland GmbH	Germany		4	100%	100%
Duckstein GmbH	Germany			100%	100%
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%
Saku Õlletehase AS	Estonia			100%	100%
Aldaris JSC	Latvia			100%	100%
Svyturys-Utenos Alus UAB	Lithuania			99%	99%
Carlsberg UK Holdings Limited	UK		4	100%	100%
Carlsberg Marston's Brewing Company Limited	UK			60%	60%
Marston's Beer Company Limited	UK			100%	60%
Carlsberg UK Limited	UK			100%	60%
Carlsberg Supply Company UK Limited	UK			100%	60%
LF Brewery Holdings Limited	UK		4	100%	60%
LF Brewery Limited	UK			100%	60%
Emeraude S.A.S.	France		8	100%	100%
Kronenbourg S.A.S.	France			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%

Western Europe	Market	Note	Number of subsidiaries	Parent direct ownership	Consolidate d ownership
Carlsberg Deutschland GmbH	Germany		5	100%	100%
Duckstein GmbH	Germany			100%	100%
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%
Saku Õlletehase AS	Estonia			100%	100%
Aldaris JSC	Latvia			100%	100%
Svyturys-Utenos Alus UAB	Lithuania			99%	99%
Carlsberg UK Holdings Limited	UK		4	100%	100%
Carlsberg Marston's Brewing Company Limited	UK			60%	60%
Marston's Beer Company Limited	UK			100%	60%
Carlsberg UK Limited	UK			100%	60%
Carlsberg Supply Company UK Limited	UK			100%	60%
LF Brewery Holdings Limited	UK		2	100%	60%
LF Brewery Limited	UK			100%	60%
Emeraude S.A.S.	France		8	100%	100%
Kronenbourg S.A.S.	France			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%

Western Europe	Market	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Feldschlösschen Getränke Holding AG	Switzerland		2	100%	100%
Feldschlösschen Getränke AG	Switzerland			100%	100%
Schlossgarten Gastronomie AG	Switzerland			100%	100%
SB Swiss Beverage AG	Switzerland			100%	100%
Feldschlösschen Supply Company AG	Switzerland			100%	100%
Carlsberg Supply Company AG	Switzerland			100%	100%
Nya Carnegiebryggeriet AB	Sweden			98%	98%
E.C. Dahls Bryggeri AS	Norway			100%	100%
HK Yau Limited	Hong Kong			100%	100%
UAB "Svyturys Brewery"	Lithuania			100%	100%
Monster the Cat GmbH	Switzerland			100%	100%
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 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%
Carlsberg Hungary Kft.	Hungary			100%	100%
Grimbergen Abbey Brewery	Belgium			100%	100%
Zatecky Pivovar spol. S.r.o.	Czechia			100%	100%
CTDD Beer Imports Ltd	Canada			100%	100%
Carlsberg Canada Inc.	Canada			100%	100%
Carlsberg USA Inc.	USA			100%	100%

Asia	Market	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Carlsberg Supply Company Asia Ltd	Hong Kong			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%
Chongqing Jianiang Brewery Ltd	China	**B**	5	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		4	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%
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**		90%	90%
G.B. Marketing Pvt Ltd	Nepal	**D, E**		90%	90%
Carlsberg Vietnam Trading Co. Ltd	Vietnam			100%	100%

A Listed company.

B Chongqing Jianiang Brewery Ltd is owned by Chongqing Brewery Co., Ltd (51%) and Carlsberg Brewery Hong Kong 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 Company not audited by PwC.

Asia	Market	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Carlsberg Vietnam Breweries Ltd	Vietnam			100%	100%
Lao Brewery Co. Ltd	Laos			61%	61%
Paduak Holding Pte. Ltd	Singapore			100%	100%
Caretech Limited	Hong Kong		1	100%	100%
Cambrew Limited	Cambodia		2	100%	100%
Cambrew Properties Ltd	Cambodia			99%	99%
Angkor Beverage Co Ltd	Cambodia			100%	100%
CB Distribution Co., Ltd	Thailand			100%	100%
Carlsberg Asia Pte Ltd	Singapore			100%	100%
KS Holding 1 Pte Ltd	Singapore			100%	100%

Eastern Europe	Market	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Hoppy Union LLC	Russia			100%	100%
Baltika Breweries LLC	Russia	**F**	3	100%	100%
Carlsberg Azerbaijan LLC	Azerbaijan			100%	100%
Baku Piva JSC	Azerbaijan			91%	91%
PJSC Carlsberg Ukraine	Ukraine		1	100%	100%
OJSC Brewery Alivaria	Belarus	**G**		78%	89%
Carlsberg Kazakhstan Ltd	Kazakhstan		1	100%	100%
Baltic Beverages Invest AB	Sweden			100%	100%
Baltic Beverages Holding AB	Sweden			100%	100%

F Baltika Breweries is owned by Carlsberg Sverige AB.

G The consolidation percentage is higher than the ownership share due to written put options.

Not allocated	Market	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Carlsberg Finans A/S	Denmark			100%	100%
Carlsberg International A/S	Denmark			100%	100%
Visit Carlsberg A/S	Denmark			100%	100%
Carlsberg Invest A/S	Denmark			100%	100%
Carlsberg Global Business Services A/S	Denmark			100%	100%
Carlsberg Insurance A/S	Denmark			100%	100%
Carlsberg Central Office A/S	Denmark			100%	100%
Carlsberg Shared Services Sp. z o.o.	Poland			100%	100%

Associates and joint ventures	Market	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Shangri-la Beverages AG	Switzerland			35%	35%
Sinergie Proattive Srl	Italy			50%	50%
Viacer S.G.P.S., Lda	Portugal	**I**		29%	29%
Super Bock Group, S.G.P.S., S.A.	Portugal	**I**	13	56%	60%
Serviced Dispense Equipment (Holdings) Limited	UK		2	33%	20%
Nuuk Imeq A/S	Greenland	**E**		32%	32%
Chongqing Jiawei Beer Co. Ltd	China			33%	26%
Tibet Lhasa Brewery Company Limited	China			50%	50%
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, E, J**		25%	13%
Hanoi Beer Alcohol and Beverage Joint Stock Corporation	Vietnam	**E**		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	**E**	1	51%	51%

A 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%.

B 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 shareholder in Carlsberg Breweries A/S.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS

SECTION 1
SUBSIDIARIES AND RELATED PARTIES

SECTION 2
CAPITAL STRUCTURE

SECTION 3
OPERATING ACTIVITIES

SECTION 4
STAFF COST AND REMUNERATION

SECTION 5
OTHER DISCLOSURE REQUIREMENTS

SECTION 6
GENERAL ACCOUNTING POLICIES

INCOME STATEMENT

DKK million	Section	2020	2019
Revenue		**2,134**	**2,390**
Cost of sales	3.1	-816	-914
Gross profit		**1,318**	**1,476**
Sales and distribution expenses	3.1	-614	-874
Administrative expenses		-745	-946
Other operating activities, net	3.1	189	89
Operating profit before special items		**148**	**-255**
Special items, net	1.2	-120	-30
Financial income	2.2	7,930	8,056
Financial expenses	2.2	-618	-1,017
Profit before tax		**7,340**	**6,754**
Income tax	5.4	-194	-167
Profit for the year		**7,146**	**6,587**
Attributable to			
Dividend to shareholder		3,260	3,204
Reserves		3,886	3,383
Profit for the year		**7,146**	**6,587**

STATEMENT OF COMPREHENSIVE INCOME

DKK million	Section	2020	2019
Profit for the year		**7,146**	**6,587**
Other comprehensive income			
Value adjustments of hedging instruments		15	-2
Income tax	5.4	-3	-
Items that may be reclassified to the income statement		**12**	**-2**
Other comprehensive income		**12**	**-2**
Total comprehensive income		**7,158**	**6,585**

STATEMENT OF FINANCIAL POSITION

DKK million	Section	31 Dec. 2020	31 Dec. 2019
ASSETS			
Non-current assets			
Intangible assets	5.3	1,598	845
Property, plant and equipment	5.3	301	43
Investments in subsidiaries	1.1	77,623	77,984
Investments in associates and joint ventures	1.1	4,096	4,098
Receivables	3.3	261	313
Total non-current assets		**83,879**	**83,283**
Current assets			
Inventories		-	6
Trade receivables	3.3	803	875
Tax receivables		65	132
Other receivables	3.3	19,023	17,250
Prepayments		26	29
Cash and cash equivalents	2.4	3,903	1,051
Total current assets		**23,820**	**19,343**
Total assets		**107,699**	**102,626**

DKK million	Section	31 Dec. 2020	31 Dec. 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	2.1	500	501
Hedging reserves		-271	-283
Retained earnings		54,808	53,154
Total equity		**55,037**	**53,372**
Non-current liabilities			
Borrowings	2.4	27,517	19,642
Deferred tax liabilities	5.4	364	243
Provisions	5.1	335	381
Other liabilities		-	10
Total non-current liabilities		**28,216**	**20,276**
Current liabilities			
Borrowings	2.4	22,790	26,993
Trade payables		889	1,248
Deposits on returnable packaging materials		47	53
Provisions	5.1	87	51
Other liabilities, etc.		633	633
Total current liabilities		**24,446**	**28,978**
Total liabilities		**52,662**	**49,254**
Total equity and liabilities		**107,699**	**102,626**

STATEMENT OF CHANGES IN EQUITY

DKK million	Shareholder in Carlsberg Breweries A/S			
	Share capital	Hedging reserves	Retained earnings	Total equity
2020				
Equity at 1 January	**501**	**-283**	**53,154**	**53,372**
Profit for the year	**-**	**-**	**7,146**	**7,146**
Other comprehensive income	**-**	**12**	**-**	**12**
Total comprehensive income for the year	**-**	**12**	**7,146**	**7,158**
Capital reduction	-1	-	-2,499	-2,500
Settlement of share-based payments	-	-	182	182
Share-based payments	-	-	29	29
Dividend paid to shareholder	-	-	-3,204	-3,204
Total changes in equity	**-1**	**12**	**1,654**	**1,665**
Equity at 31 December	**500**	**-271**	**54,808**	**55,037**
2019				
Equity at 1 January	**502**	**-281**	**54,025**	**54,246**
Profit for the year	**-**	**-**	**6,587**	**6,587**
Other comprehensive income	**-**	**-2**	**-**	**-2**
Total comprehensive income for the year	**-**	**-2**	**6,587**	**6,585**
Capital reduction	-1	-	-4,499	-4,500
Settlement of share-based payments	-	-	-286	-286
Share-based payments	-	-	73	73
Dividend paid to shareholder	-	-	-2,746	-2,746
Total changes in equity	**-1**	**-2**	**-871**	**-874**
Equity at 31 December	**501**	**-283**	**53,154**	**53,372**

STATEMENT OF CASH FLOWS

DKK million	Section	2020	2019
Operating profit before special items		148	-255
Depreciation, amortisation and impairment losses		71	54
Operating profit before depreciation, amortisation and impairment losses		**219**	**-201**
Other non-cash items	3.2	28	71
Change in working capital	3.2	-258	-508
Restructuring costs paid		-147	-5
Interest etc. received		454	454
Interest etc. paid		-600	-951
Income tax paid		-10	151
Cash flow from operating activities		**-314**	**-989**
Acquisition of property, plant and equipment and intangible assets		-809	-34
Disposal of property, plant and equipment and intangible assets		32	1
Total operational investments		**-777**	**-33**
Acquisition and disposal of subsidiaries, net		1,688	-1,647
Capital injection in subsidiaries		-1,288	-3,425
Change in financial receivables		21	124
Dividends received		7,149	7,597
Total financial investments		**7,570**	**2,649**
Cash flow from investing activities		**6,793**	**2,616**
Free cash flow		**6,479**	**1,627**
Shareholder in Carlsberg Breweries A/S	2.1	-5,704	-7,246
External financing	2.4	2,232	4,796
Cash flow from financing activities		**-3,472**	**-2,450**
Net cash flow		**3,007**	**-823**
Cash and cash equivalents at 1 January		1,051	1,858
Foreign exchange adjustment of cash and cash equivalents		-155	16
Cash and cash equivalents at 31 December	2.4	**3,903**	**1,051**

SECTION 1

SUBSIDIARIES AND RELATED PARTIES

SECTION 1.1

INVESTMENTS IN SUBSIDIARIES

Impairment losses of DKK 800m relates to the investment in Cambodia as volumes and financial performance were impacted by COVID-19 restrictions and a failed attempt to relaunch the Angkor brand in the market. The long-term expectations therefore remain significantly below the expectations at the time of the acquisition. Please see section 2.2 of the consolidated financial statements for more details.

In 2019, DKK 67m were related to the liquidation of an investment in China.

Investments in subsidiaries

DKK million	2020	2019
Cost		
Cost at 1 January	84,284	79,032
Acquisition of entities	2	18
Additions	1,288	5,236
Disposals	-851	-
Transfers	-	-2
Cost at 31 December	**84,723**	**84,284**
Value adjustments		
Value adjustments at 1 January	6,300	6,233
Impairment in the period	800	67
Value adjustments at 31 December	**7,100**	**6,300**
Carrying amount at 31 December	**77,623**	**77,984**

Please see section 10 in the consolidated financial statements for a list of companies in the Carlsberg Breweries Group.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Indications of impairment of investments in subsidiaries are assessed annually by management. Impairment tests are conducted in the same way as for goodwill in the Group, cf. section 2.2 in the consolidated financial statements.

It is management's assessment that no indications of impairment existed at year-end 2020. Impairment tests have therefore not been carried out for subsidiaries.

Investments in associates and joint ventures

DKK million	2020	2019
Cost		
Cost at 1 January	4,098	4,096
Transfers	-2	2
Cost at 31 December	**4,096**	**4,098**
Value adjustments		
Value adjustments at 1 January	-	-
Value adjustments at 31 December	**-**	**-**
Carrying amount at 31 December	**4,096**	**4,098**

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.

Share-based payments granted to employees of the Company's subsidiaries and the recharge of losses to the subsidiaries in connection with the employees' exercise of share-based awards are recognised as contributions to and reductions of the investment in the subsidiaries respectively.

SECTION 1.2

SPECIAL ITEMS

Special items

DKK million	2020	2019
Restructuring cost	-47	-5
Provisions related to disposal of a former brewery site in previous years	-	-110
Gain on sale of activities to group companies	839	-
Impairment of intangible assets	-	-7
Impairment of investments in subsidiaries	-800	-67
Other	-112	159
Special items, net	**-120**	**-30**

Impact of special items on operating profit

DKK million	2020	2019
If special items had been recognised in operating profit before special items, they would have been included in the following items:		
Cost of sales	-	-7
Administrative expenses	-47	-127
Other operating activities, net	-73	104
Special items, net	**-120**	**-30**

Gain on sale of activities to group companies relate to the material asset restructurting completed by Carlsberg and Chongqing Brewery Co. in December 2020. Please see section 5.3 of the consolidated financial statements for a description of the restructuring.

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 and the Carlsberg Foundation (the ultimate parent company) in 2020:

- Carlsberg Breweries A/S has paid a dividend to Carlsberg A/S.
- The Carlsberg Foundation supports the rebuilding of the Carlsberg Visitor Center and Museum.
- Carlsberg Breweries leases storage facilities in the researcher apartments.
- The Group delivered beer and soft drinks to the Carlsberg Foundation.

These transactions are described in further detail in section 8.2 of 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	2020	2019
Carlsberg A/S		
Other operating activities, net	12	14
Financial income	11	14
Loans	1,159	935
Receivables from the sale of goods and services	14	4
Trade payables	-112	-15
Associates and joint ventures		
Revenue	58	53
Loans	-	22
Receivables from the sale of goods and services	81	50
Subsidiaries		
Revenue	719	772
Cost of sales	-45	-57
Sales and distribution income	18	12
Administrative expenses	-319	-228
Other operating activities, net	188	103
Interest income	399	436
Interest expenses	-124	-239
Loans	18,610	17,058
Receivables	753	816
Borrowings	-22,684	-23,728
Trade payables and other liabilities etc.	-438	-400

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 262m (2019: DKK 352m) were received from **associates and joint ventures**. No losses on loans to or receivables from subsidiaries, associates or joint ventures were recognised or provided for in either 2020 or 2019.

Dividends of DKK 6,844m (2019: DKK 7,248m) were received from **subsidiaries**.

SECTION 2

CAPITAL STRUCTURE

SECTION 2.1

SHARE CAPITAL

Share capital

	Shares of DKK 1,000	Nominal value, DKK '000
1 January 2019	502,000	502,000
Capital reduction	-1,000	-1,000
31 December 2019	**501,000**	**501,000**
Capital reduction	-1,000	-1,000
31 December 2020	**500,000**	**500,000**

The share capital amounts to DKK 500m 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 2020, the share capital was reduced from DKK 501m to DKK 500m through a cash distribution of nominally DKK 1m at a (per 100) price of DKK 250,000, corresponding to a total cash distribution to Carlsberg A/S of DKK 2.5bn. This cash distribution reflects the share buy-backs that was carried out by Carlsberg A/S over a 6 month period from 4 February 2020.

The dividend paid out in 2020 relating to 2019 to the shareholder amounted to DKK 3,204m (paid out in 2019 for 2018: DKK 2,746m).

Carlsberg Breweries A/S proposes a dividend of DKK 6,520 per share, in total DKK 3,260m (2019: DKK 6,395 per share, in total DKK 3,204m). The proposed dividend is included in retained earnings at 31 December 2020.

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 which are considered part of the total net investment in the entity are recognised in the income statement.

Financial items recognised in the income statement

DKK million	2020	2019
Financial income		
Interest income	400	448
Dividends from subsidiaries and associates	7,106	7,600
Foreign exchange gains, net	395	-
Other	29	8
Total	**7,930**	**8,056**
Financial expenses		
Interest expenses	-583	-727
Foreign exchange losses, net	-	-271
Impairment of financial assets	-	8
Bank and commitment fees	-35	-27
Total	**-618**	**-1,017**
Financial items, net	**7,312**	**7,039**

SECTION 2.3

NET INTEREST-BEARING DEBT

Net interest-bearing debt

DKK million	2020	2019
Non-current borrowings	27,517	19,642
Current borrowings	22,790	26,993
Gross financial debt	**50,307**	**46,635**
Cash and cash equivalents	-3,903	-1,051
Net financial debt	**46,404**	**45,584**
Loans to Group companies and associated companies	-18,610	-17,065
Net interest-bearing debt	**27,794**	**28,519**
Changes in net interest-bearing debt		
Net interest-bearing debt at 1 January	**28,519**	**22,612**
Cash flow from operating activities	314	989
Cash flow from acquisition of subsidiaries, net	-1,688	1,647
Dividend to shareholder	3,204	2,746
Change in interest-bearing lending	7	136
Capital reduction	2,500	4,500
Lease liabilities	306	-
Effect of currency translation	-263	163
Other	-	-6
Total change	**-725**	**5,907**
Net interest-bearing debt at 31 December	**27,794**	**28,519**

SECTION 2.4

BORROWINGS AND CASH

Gross financial debt

DKK million	2020	2019
Non-current borrowings		
Issued bonds	27,002	19,673
Bank borrowings	-25	-31
Lease liabilities	273	-
Other borrowings	267	-
Total	**27,517**	**19,642**
Current borrowings		
Lease liabilities	17	-
Other borrowings	22,773	26,993
Total	**22,790**	**26,993**
Total non-current and current borrowings	**50,307**	**46,635**
Fair value	51,614	48,058

Other borrowings comprises mainly 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	2020	2019
Gross financial debt at 1 January	**46,635**	**43,259**
Proceeds from issue of bonds	7,402	-2,652
Instalments on and proceeds from borrowings, long term	314	-234
Instalments on and proceeds from European Commercial Papers	-3,177	3,264
Change in current borrowings from Group companies	-1,044	2,754
Borrowings from associates	-	-7
Change in current loans to Group companies	-1,236	1,660
Instalments on lease liabilities	-17	-
Other	-10	11
External financing	**2,232**	**4,796**
Intercompany loans	1,236	-1,660
Other, including foreign exchange adjustments and amortisation	204	240
Gross financial debt at 31 December	**50,307**	**46,635**

Cash and cash equivalents amounts to DKK 3,903m (2019: DKK 1,051m). 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.

SECTION 2.6

FOREIGN EXCHANGE RISK RELATED TO NET INVESTMENTS AND FINANCING ACTIVITIES

Carlsberg Breweries A/S' main activity is to own a number of subsidiaries and funding the capital required for both net investment and loans to subsidiaries. As a consequence, Carlsberg Breweries A/S is exposed to foreign exchange risk from its lending to and borrowing from external parties, group companies and financial instruments. Carlsberg Breweries A/S manages these exposure within limits which on a net basis only leads to insignificant foreign exchange exposure. The exceptions are semi-equity loans and derivatives designated as net investment hedges which in the consolidated account are recognized in other comprehensive income and are accounted for in the income statement in the parent company. For more details on semi-equity loans and net investment hedges see section 4.6 of the consolidated financial statements.

Currency profile of borrowings

Before and after derivative financial instruments

DKK million

2020	Original principal	Effect of swap	After swap
CHF	1,178	1,021	2,199
NOK	1,512	-44	1,468
EUR	32,923	-3,927	28,996
USD	611	1,792	2,403
DKK	7,050	-	7,050
SEK	3,379	56	3,435
Other	3,654	1,102	4,756
Total	**50,307**	-	**50,307**
Total 2019	**46,635**	-	**46,635**

Exchange rate sensitivity - other comprehensive income

2020					2019	
DKK million	Average hedged rate	Notional amount	% change	Effect on OCI	Average hedged rate	Effect on OCI
USD/DKK	6.4540	-166	5%	-8	6.4660	-8
Other	-	-125	5%	-6	-	-7
Total				**-15**		**-15**

SECTION 2.7

INTEREST RATE RISK

Carlsberg Breweries A/S performs the role of internal bank in the Carlsberg Breweries Group. Part of this role is to implement the Group's interest rate risk target, which is to have a duration of 3 to 7 years. This duration is measured on the net debt in the Carlsberg Breweries Group.

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 interests.

At the reporting date, 54% of the gross loan portfolio consisted of fixed-rate borrowings with interest rates fixed for more than one year (2019: 45%). At 31 December 2020, Carlsberg Breweries A/S borrowed DKK 22,685m from subsidiaries and associated companies (2019: DKK 23,728m), and provided interest-bearing loans to subsidiaries and associated companies of DKK 18,610m (2019: DKK 17,065m).

All lending to and borrowings from subsidiaries and associated companies are at floating interest rates.

Interest rate risk

DKK million

2020	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
Issued bonds					
EUR 750m maturing 15 November 2022	Fixed	2.7%	1-2 years	5,570	Fair value
EUR 500m maturing 6 September 2023	Fixed	0.7%	2-3 years	3,703	Fair value
EUR 1,000m maturing 28 May 2024	Fixed	2.6%	3-4 years	7,403	Fair value
EUR 500m maturing 30 June 2027	Fixed	0.5%	>5 years	3,691	Fair value
EUR 400m maturing 1 July 2029	Fixed	1.0%	>5 years	2,942	Fair value
EUR 500m maturing 11 March 2030	Fixed	0.7%	>5 years	3,693	Fair value
Total issued bonds		**1.6%**		**27,002**	
Total issued bonds 2019		**2.0%**		**19,673**	
Bank and other borrowings					
Floating-rate	Floating	0.0%	<1 year	64	Cash flow
Fixed-rate	Fixed	0.0%	>1 year	268	Fair value
Total bank and other borrowings		**0.0%**		**332**	
Total bank and other borrowings 2019		**-0.3%**		**3,264**	

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 with regards to the liquidity risk.

Time to maturity for non-current borrowings

DKK million

2020	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	5,570	3,703	7,403	-	10,326	27,002
Bank borrowings	-	-	-25	-	-	-25
Lease liabilities	17	15	15	15	211	273
Other	89	89	89	-	-	267
Total	**5,676**	**3,807**	**7,482**	**15**	**10,537**	**27,517**
Total 2019	**-**	**5,587**	**3,712**	**7,393**	**2,950**	**19,642**

Maturity of financial liabilities

DKK million

2020	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
Derivative financial instruments					
Derivative financial instruments, payables	150	150	-	-	135
Non-derivative financial instruments					
Financial debt gross	50,483	22,790	17,067	10,626	50,307
Interest expense	1,846	648	1,106	92	N/A
Trade payables and other liabilities	936	936	-	-	936
Non-derivate financial instruments total	**53,687**	**24,796**	**18,173**	**10,718**	**-**
Financial liabilities	**53,837**	**24,946**	**18,173**	**10,718**	**-**
Financial liabilities 2019	**50,416**	**29,179**	**18,113**	**3,124**	**-**

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 are recognised in financial income and expenses.

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 classified as a cash flow hedge is presented in the cash flow hedge section below.

Cash flow hedges comprise currency forwards entered into to cover the foreign exchange risk on transactions expected to take place in 2021 and 2022.

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 (2019: DKK -837m).

Hedging of raw material price risk

DKK million

	Sensitivity assuming 100% efficiency				Time of maturity	
2020	**Change**	**Effect on OCI**	**Tonnes purchased**	**Average price (DKK)**	**2021**	**2022**
Aluminium	10%	27	22,723	10,687	22,723	-
2019					**2020**	**2021**
Aluminium	10%	28	23,024	12,729	23,024	-

The Company's process for hedging of raw material price risk is unchanged from Carlsberg Breweries Group. Accordingly, reference is made to the section on operating activities in Carlsberg Breweries Group with regards to the commodity risk

Financial derivatives not designated as hedging instruments (economic hedges)

DKK million

2020	Income statement	Fair value receivables	Fair value payables	Fair value, net
Exchange rate instruments	132	139	-135	4
Other instruments	43	31	-	31
Total	**-**	**170**	**-135**	**35**
2019				
Exchange rate instruments	-90	114	-162	-48
Other instruments	24	-	-12	-12
Ineffectiveness	-	-	-	-
Total	**-66**	**114**	**-174**	**-60**

Cash flow hedges

DKK million

					Expected recognition	
2020	**Other comprehen-sive income**	**Fair value receivables**	**Fair value payables**	**Fair value, net**	**2021**	**2022**
Exchange rate instruments	15	12	-	12	12	-
Total	**15**	**12**	**-**	**12**	**12**	**-**
2019					**2020**	**2021**
Exchange rate instruments	-2	-	-8	-8	-8	-
Total	**-2**	**-**	**-8**	**-8**	**-8**	**-**

SECTION 3

OPERATING ACTIVITIES

SECTION 3.1

OPERATING EXPENSES

Cost of sales

DKK million	2020	2019
Purchased finished goods and other costs	816	914
Total	**816**	**914**

Sales and distribution expenses

DKK million	2020	2019
Marketing expenses	483	688
Sales expenses	89	136
Distribution expenses	42	50
Total	**614**	**874**

Other operating activities, net

DKK million	2020	2019
Management fee from Group companies	264	139
Other, net	-75	-50
Total	**189**	**89**

SECTION 3.2

CASH FLOW FROM OPERATING ACTIVITIES

DKK million	2020	2019
Other non-cash items		
Share-based payments	29	73
Other items	-1	-2
Total	**28**	**71**
Change in working capital		
Receivables	-138	-36
Trade payables and other liabilities	-101	-465
Other provisions	-25	-1
Adjusted for unrealised foreign exchange gains/losses	6	-6
Total	**-258**	**-508**

SECTION 3.3

RECEIVABLES

Trade receivables comprise invoiced goods and services.

Receivables included in the statement of financial position

DKK million	2020	2019
Trade receivables	803	875
Other receivables	19,023	17,250
Total current receivables	**19,826**	**18,125**
Non-current receivables	261	313
Total	**20,087**	**18,438**

Receivables by origin

DKK million	2020	2019
Receivables from sale of goods and services	206	246
Receivables from Group companies	753	757
Loans to Group companies	18,610	17,058
Loans, fair value of hedging instruments and other receivables	518	377
Total	**20,087**	**18,438**

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 are affected by the closure of on-trade businesses and other COVID-19 restrictions, affecting credit risk for trade receivables. Please see section 1.5.1 of the consolidated financial statements for more details.

SECTION 4

STAFF COST AND REMUNERATION

SECTION 4.1

STAFF COSTS AND REMUNERATION

The remuneration of the Supervisory Board, the executive directors and key management personnel of Carlsberg A/S 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 are 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 cost and remuneration

DKK million	2020	2019
Salaries and other remuneration	464	551
Severance payments	3	9
Social security costs	3	3
Retirement benefit costs - defined contribution plans	19	28
Share-based payments	38	85
Other employee benefits	6	7
Total	**533**	**683**

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

Sales and distribution expenses	214	264
Administrative expenses	299	392
Total staff costs recognised by Parent Company	**513**	**656**
Remuneration of executive director recognised by Carlsberg A/S	20	27
Total	**533**	**683**

The Company had an average of 388 (2019: 393) full-time employees during the year.

SECTION 4.2

SHARE-BASED PAYMENTS

Share-based incentive programmes have been setup for management personnel in 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 2020, 46 employees (2019: 44 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 783 (2019: DKK 803). The average contractual life at the end of 2020 was 1.2 years (2019: 1.3 years).

Fund & grow performance shares

The Fund & Grow performance share programme was set up in 2018 to align the initiatives driven by Group management in our SAIL'22 strategy with the interests of our shareholder. Shares were granted to 204 employees across the Group, not including the executive directors. The programme vested in 2020 with all KPIs fully achieved.

SHARE OPTIONS

No share options have been granted since 2016. The outstanding options are all exercisable at the end of the reporting period. The average contractual life was 2.8 years (2019: 3.6 years).

Share-based payments

	Exercise price			Number
Performance shares	Fixed, weighted average	Executive directors	Other management personnel	Total
Performance shares outstanding at 31 December 2018		203,484	157,249	360,733
Granted		61,331	57,216	118,547
Forfeited/expired/adjusted		-17,353	-24,808	-42,161
Exercised		-58,057	-	-58,057
Performance shares outstanding at 31 December 2019		**189,405**	**189,657**	**379,062**
Granted		48,991	44,634	93,625
Forfeited/expired/adjusted		-28,919	-39,495	-68,414
Exercised		-66,865	-96,926	-163,791
Performance shares outstanding at 31 December 2020		**142,612**	**97,870**	**240,482**
Share options				
Share options outstanding at 31 December 2018	518	114,984	-	114,984
Share options outstanding at 31 December 2019	**518**	**114,984**	**-**	**114,984**
Share options outstanding at 31 December 2020	**518**	**114,984**	**-**	**114,984**

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 2020	432
Additional provisions recognised	16
Used during the year	-26
Provisions at 31 December 2020	**422**

DKK 87m of total provisions (2019: DKK 51m) fall due within one year and DKK 0m (2019: DKK 1m) after more than five years from the end of the reporting period.

SECTION 5.2

FEES TO AUDITORS

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

DKK million	2020	2019
Statutory audit	2	2
Other assurance engagements	-	-
Tax advisory	-	-
Other services	-	3
Total	**2**	**5**

SECTION 5.3

ASSET BASE AND LEASES

The carrying amount of intangible assets was DKK 1,598m (2019: DKK 845m), and the carrying amount of property, plant and equipment was DKK 301m (2019: DKK 43m). Intangible assets comprises mainly brands of DKK 1,505m (2019: DKK 707m).

Of the depreciation and amortisation of DKK 71m (2019: DKK 54m), DKK 6m (2019: DKK 6m) were included in cost of sales whereas DKK 65m (2019: DKK 48m) were included in sales and distribution expenses.

Carlsberg Breweries A/S leases various properties and equipment. At 31 December 2020, the carrying amount of right-of-use assets amounted to DKK 289m. During the year, additions amounted to DKK 302m and depreciation to DKK 17m. The lease expenses recognised in the income statement related to short-term leases and leases of low-value assets and amounted to DKK 0.3m. 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 2020 is 22% (2019: 22%). The effective tax rate is 2.6% (2019: 2.5%) and is mainly impacted by non-taxable dividends of -21.3% (2019: -25.0%).

Hedging instruments recognised in other comprehensive income before tax amounts to DKK 15m (2019: DKK -2m) with a tax expense of DKK -3m (2019: DKK 0m).

Deferred tax asset amounts to DKK 264m (2019: DKK 266m) and comprise mainly provisions of DKK 146m (2019: DKK 137m), loan costs of DKK 15m (2019: DKK 30m) and tax loss carry forwards etc. of DKK 69m (2019: DKK 71m). The utilisation of tax loss carry forwards depends on future positive taxable income exceeding the realised deferred tax liabilities.

Deferred tax liabilities amounts to DKK 628m (2019: DKK 509m) and mainly comprise intangible assets of DKK 131m (2019: DKK 130m) and other liabilities of DKK 497m (2019: DKK 379m). Deferred tax at 31

SECTION 5.4 (CONTINUED)

TAX

December, net is a deferred tax liability of DKK 364m (2019: DKK 243m).

The net changes in deferred tax of DKK 121m (2019: DKK 276m) are due to joint taxation contribution of DKK 39m (2019: DKK 57m), tax recognised in other comprehensive income DKK 3m (2019: DKK 0m) and recognised deferred tax in the income statement DKK 79m (2019: DKK 219m).

Not recognised tax assets amount to DKK 664m (2019: DKK 574m), primarily related to tax losses that ar enot expected to be utilised in the foreseeable future. Of these, tax losses that will not expire amounted to DKK 260m (2019: DKK 0m). Remaining tax losses of DKK 404m (2019: DKK 602m) will expire within 3 years.

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 up to the date when they are excluded from the consolidation. The jointly taxed Danish companies are taxed under the on-account tax scheme.

On payment of joint taxation contributions, the current Danish 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).

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 2,193m (2019: DKK 1,771m).

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

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.

Income tax expenses

DKK million	2020 Income statement	2020 Other comprehensive income	2020 Total comprehensive income	2019 Income statement	2019 Other comprehensive income	2019 Total comprehensive income
Tax for the year can be specified as follows						
Current tax	107	-	107	-52	-	-52
Change in deferred tax during the year	87	3	90	219	-	219
Adjustments to tax for prior years	-	-	-	-	-	-
Total	**194**	**3**	**197**	**167**	**-**	**167**

GENERAL ACCOUNTING POLICIES

The 2020 financial statements of Carlsberg Breweries A/S 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 2020.

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 Group's and the Parent Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Carlsberg Group's and the Parent Company's operations and cash flows for the financial year 2020.

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 Group's and the Parent Company's financial position, as well as describing the significant risks and uncertainties affecting the Carlsberg Group and the Parent Company.

We recommend that the Annual General Meeting approve the Annual Report.

Copenhagen, 16 March 2021

Executive Board of Carlsberg Breweries A/S

Cees 't Hart
President & CEO

Heine Dalsgaard
CFO

Supervisory Board of Carlsberg Breweries A/S

Flemming Besenbacher
Chair

Lars Fruergaard Jørgensen
Deputy Chair

Cees 't Hart

Heine Dalsgaard

Thomas Paludan-Müller

Eva Vilstrup Decker

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 [30-94] and [96-114]) give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2020 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 2020 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 Supervisory Board.

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 2020 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with 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 four years including the financial year 2020.

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 2020. 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 licence agreement. Furthermore, the various discounts and locally imposed duties and fees in regard to revenue recognition are complex and introduce 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 arising from different customer behaviours, structures, market conditions and terms in the various countries. Revenue recognition and accounting treatment are described in section 1.1 "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 tested the relevant controls, including applicable information systems and Management's monitoring of controls used to ensure the completeness, accuracy and timing of revenue recognised. 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), and 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.	In addressing the risks, we walked through and tested relevant controls related to assessing the carrying amount of goodwill and brands. We considered the appropriateness of Management's defined CGUs within the business. We evaluated whether there were factors requiring Management to change its 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 recent 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.

STATEMENT ON THE MANAGEMENT REVIEW

Management is responsible for Management's Review, pp [3-28] and [95].

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 achieves fair presentation.

- 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, related safeguards.

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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 16 March 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Mogens Nørgaard Mogensen
State Authorised Public Accountant
Mne21404

Gert Fisker Tomczyk
State Authorised Public Accountant
mne9777

Carlsberg Breweries Group Annual Report

Carlsberg A/S
1 J. C. Jacobsens Gade
1799 Copenhagen V
Denmark
Phone +45 3327 3300
www.carlsberggroup.com
CVR No. 61056416

Editor: Carlsberg Group Investor Relations
Design & layout: Operate & SkabelonDesign
Photos: Nana Reimers et al.
Proofreading: Borella projects