Carlsberg Breweries Group
Annual Report 2021

As approved on the Company's Annual General Meeting on 25 February 2022

Monica Gregers Smith
Chair of the meeting

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OUR ANNUAL REPORTING

Please refer to the annual reporting suite of the Carlsberg Group comprising the Environment, Social & Governance Report and Remuneration Report. The Environment, Social & Governance report serves as our annual Communication on Progress to the United Nations Global Compact and is, as such, our disclosure in accordance with sections 99a, 99b and 99d of the Danish Financial Statements Act. It can be downloaded at this link:
https://www.carlsberggroup.com/reports-downloads/carlsberg-group-2021-esg-report/

2021 AT A GLANCE

A COMPANY IN GOOD HEALTH

The Carlsberg Breweries Group delivered a strong set of results despite the continued challenges posed by COVID-19.

Once again in 2021, our people, businesses, customers and societies at large were, to different degrees and at different times, affected by the pandemic. As was the case in 2020, our main focus remained the health and wellbeing of our people and at the same time ensuring the health of our business.

It was encouraging to see that many beer markets, particularly in Western Europe, recovered during the summer months, with consumers eager to socialise and return to the on-trade. This gives us confidence in the resilience of the beer markets. We do recognise, though, that many markets are still suffering and continue to face significant adversity.

Despite the ongoing challenges of the pandemic, we are pleased to report good financial, strategic and organisational health for the Carlsberg Breweries Group.

ACTIVITIES OF THE GROUP

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

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

FINANCIAL HEALTH

Our financial results saw strong progress in 2021, albeit supported by favourable comparables. Revenue grew organically by 10.0%, the result of 7.4% volume growth and 3% higher revenue/hl. Operating profit was DKK 10.9bn, with organic growth 12.4%. These results brought our 2021 figures well ahead of 2019. Free cash flow was DKK 8.5bn, and ROIC improved by 150bp to 12.0%. Read more about our Group results on pages 6-9.

These results were achieved thanks to the strength of our brand portfolio and geographic footprint, and the embedding of our Funding the Journey culture across the business. Combined, these factors safeguard both the short- and long-term health of the Carlsberg Breweries Group.

STRATEGIC HEALTH

The choices made in SAIL'22 and the execution of our strategic priorities have been key for our financial performance since 2016 – and for our ability to navigate through the rough seas of COVID-19.

Priorities such as craft & speciality and alcohol-free brews delivered strong progress during 2021. Our core beer business also saw good recovery from the severe headwind in 2020. And we are well on track to achieve our 2022 sustainability targets.

Read about the progress on our strategic priorities on pages 14-17. More specifically, our Environment, Social & Governance Report, available online on www.carlsberggroup.com, contains a wealth of information and data on our Together Towards ZERO sustainability programme and targets.

A NEW HORIZON

Since 2016, SAIL'22 has guided us well on our journey to become a successful, professional and attractive company in our markets.

As its name suggests, SAIL'22 is now coming to an end, and 2022 will be a year of transition. During the second half of 2021 and early 2022, we went through the process of defining our next strategy. In doing so, we engaged a large number of colleagues from various markets and functions across our regions, bringing in diverse thinking and input to ensure relevance and viability.

As we are confident that there is still more on tap for many of the SAIL'22 priorities, the new strategy is an evolution rather than a revolution. We have therefore named it SAIL'27.

SAIL'27 will define our business agenda and support continued value growth in the years to come. SAIL'27 is presented on pages 18-19.

ORGANISATIONAL HEALTH

Considering the immense challenges for all employees – on a personal and professional level – in both 2020 and 2021, we were very pleased with the results of our 2021 employee survey.

The results were largely on par with the latest survey conducted in 2019, indicating that our many initiatives during the challenging times of COVID-19 to support and take care of our employees, to empower them and to ensure good communication, have resonated well.

We are proud of our strong purpose and raison d'être (see page 12). We are confident that this has been an important contributing factor for the motivation of our people and our ability to navigate the uncharted waters of COVID-19.

In 2021, we intensified our focus and commitment in relation to diversity and inclusion (D&I). Our D&I Council will play a pivotal role in driving our D&I agenda across our business and shaping our future D&I journey.

THANK YOU

Once again this past year, we were impressed by the high level of engagement and commitment from Carlsberg's employees and would like to say thank you to each and every one.

We also extend our thanks to all suppliers and customers – not least our on-trade customers, many of whom have been through another very difficult year – for their cooperation during 2021.

We are well prepared for 2022 which will bring headwind in the form of cost inflation and possibly further COVID-19 obstacles. We remain hopeful that the continued roll-out of vaccines across the world will be successful in curtailing the pandemic.

Flemming Besenbacher, Chair
Cees 't Hart, CEO

PASSING ON THE BATON

The upcoming AGM will mark the end of my ten-year Chairship of the Supervisory Board. As the end of SAIL'22 approaches, I have decided that the time is right to pass on the responsibility to Henrik Poulsen, whom the Supervisory Board will propose as new Chair. The Board will propose the Chair of the Board of Directors of the Carlsberg Foundation, Majken Schultz, as new Deputy Chair.

I would like to personally thank the employees and management team for the excellent cooperation during the past years, and the Carlsberg shareholder for trusting me with the Chairship of this great company.

Flemming Besenbacher, Chair

KEY FIGURES

FIVE-YEAR SUMMARY

	2021	2020	2019	2018[1]	2017[1]
Volumes (million hl)					
Beer	119.6	110.1	113.0	112.3	107.1
Other beverages	22.6	20.0	21.9	20.8	19.2
DKK million					
Income statement					
Revenue	66,634	58,541	65,902	62,503	60,655
Gross profit	31,327	28,361	32,638	31,220	30,208
EBITDA	15,465	14,094	15,058	13,449	13,657
Operating profit before special items	10,870	9,718	10,524	9,368	8,962
Special items, net	-333	-244	568	-88	-4,615
Financial items, net	-379	-403	-728	-718	-774
Profit before tax	10,158	9,071	10,364	8,562	3,573
Income tax	-2,182	-2,240	-2,766	-2,395	-1,485
Consolidated profit	7,976	6,831	7,598	6,167	2,088
Attributable to					
Non-controlling interests	1,163	778	908	824	806
Shareholder in Carlsberg Breweries A/S (net profit)	6,813	6,053	6,690	5,343	1,282
Statement of financial position					
Total assets	114,738	108,100	112,092	107,178	103,361
Invested capital	71,262	69,555	73,403	70,418	72,464
Invested capital excl. goodwill	26,984	27,269	28,479	27,695	30,173
Net interest-bearing debt (NIBD)	18,843	20,092	17,840	15,901	18,347
Equity, shareholder in Carlsberg Breweries A/S	32,523	28,815	32,124	34,848	32,672

[1] Comparative figures for 2017-2018 have not been restated to include IFRS 16.

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.

		2021	2020	2019	2018[1]	2017[1]
Statement of cash flows						
Cash flow from operating activities		12,877	10,866	12,285	12,103	11,855
Cash flow from investing activities		-4,379	-5,867	-2,462	-5,875	-2,974
Free cash flow		8,498	4,999	9,823	6,228	8,881
Investments						
Acquisition of property, plant and equipment and intangible assets, net		-4,215	-4,386	-4,571	-4,006	-3,848
Acquisition and disposal of subsidiaries, net		-635	-2,409	-9	-974	268
Financial ratios						
Gross margin	%	47.0	48.4	49.5	50.0	50.0
EBITDA margin	%	23.2	24.1	22.8	21.5	22.5
Operating margin	%	16.3	16.6	16.0	15.0	14.8
Effective tax rate	%	21.5	24.7	26.7	28.0	41.6
Return on invested capital (ROIC)	%	12.0	10.5	10.3	9.5	7.9
ROIC excl. goodwill	%	31.3	27.1	25.4	23.7	17.3
Equity ratio	%	28.3	26.7	34.6	32.5	35.5
NIBD/equity ratio	x	0.50	0.61	0.40	0.42	0.47
NIBD/EBITDA	x	1.22	1.43	1.18	1.18	1.34
Interest cover	x	28.66	24.13	14.46	13.05	11.58
Dividend per share (proposed)	DKK	6,986	6,520	6,395	5,470	4,872
Payout ratio	%	51	54	48	51	190
Employees						
Full-time employees (average)		39,278	39,915	41,151	40,757	41,349

GROUP

A STRONG SET OF RESULTS

2021 performance was well ahead of pre-COVID 2019, delivering strong top-line growth and operating cash flow, and increasing returns to shareholder.

As a result of the continued high level of uncertainty in 2021, we issued a broad guidance for organic operating profit growth at the beginning of the year. Due to strong performance, we were able to upgrade our earnings expectations twice. See table to the right.

VOLUMES

Total Group volumes were 142.2m hl, increasing organically by 7.4% and by 9.3% including acquisitions.

Beer volumes grew organically by 6.4%, driven by solid growth in Asia and Central & Eastern Europe, and supported by easy comparables. Other beverage volumes grew organically by 12.9%, supported by double-digit growth in all three regions.

INCOME STATEMENT

Revenue was DKK 66.6bn. Organic revenue growth was 10.0%, while reported revenue growth was 13.8%, mainly impacted by the acquisition of Marston's brewing activities in the UK in October 2020. The small negative currency impact was due to adverse currency movements across Central & Eastern Europe and certain markets in Asia, partly offset by a strengthening of primarily the Chinese, Norwegian, British and Swedish currencies.

Revenue/hl grew organically by 3% as a result of recovery of the on-trade in some markets due to fewer restrictions in 2021 compared with 2020 and solid growth of premium products across the regions.

Gross profit increased organically by 8.7% and by 10.5% in reported terms, positively impacted by acquisitions and negatively by currencies. The gross profit margin declined due to acquisitions that came in with a lower gross margin than the Group, the higher cost of goods sold (COGS), particularly in Central & Eastern Europe, and a negative country mix.

Operating expenses, including marketing investments, grew organically by 8%, mainly driven by higher marketing investments and higher administrative expenses. Marketing investments grew organically by 11%. The higher administrative expenses were the result of higher accruals related to variable pay due to the strong financial performance for the year, the impact of acquisitions, currencies and certain one-off provisions. Despite this, total SG&A (excluding marketing) to revenue declined by approximately 70bp to 13.9% (-40bp organically).

Earnings expectations 2021

Date	Expectation for operating profit
5 February 2021	Organic growth in operating profit within the range of 3-10%
28 April 2021	Organic growth in operating profit within the range of 5-10%
18 August 2021	Organic growth in operating profit within the range of 8-11%
27 October 2021	Organic growth in operating profit within the range of 10-12%
4 February 2022	Organic growth in operating profit of 12.5% (reported)

Group financial performance

		Change				Change
Volumes (million hl)	2020	Organic	Acq., net	FX	2021	Reported
Beer	110.1	6.4%	2.2%	-	119.6	8.6%
Non-beer	20.0	12.9%	0.0%	-	22.6	12.9%
Total volume	**130.1**	**7.4%**	**1.9%**	**-**	**142.2**	**9.3%**
DKK million						
Revenue	58,541	10.0%	4.6%	-0.8%	66,634	13.8%
Operating profit before special items	9,718	12.4%	0.4%	-0.9%	10,870	11.9%
Operating margin (%)	16.6				16.3	-30bp

Operating profit before depreciation, amortisation and impairment losses (EBITDA) grew organically by 9.8% and in reported terms by 9.7%. The EBITDA margin declined by 90bp to 23.2% due to acquisitions.

Group operating profit grew organically by 12.4%, supported by growth in all three regions. Reported operating profit grew by 11.9%.

Excluding the impact from acquisitions, the operating profit margin increased by 30bp to 16.9%. The reported operating margin declined by 30bp to 16.3% due to the margin-dilutive impact of Marston's brewing activities.

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

Net special items (pre-tax) amounted to DKK -333m (2020: DKK -244m). Special items were positively impacted by reversal of provisions made in purchase price allocations in prior years in China and Cambodia of DKK 1,238m, mainly related to indirect taxes and certain employee obligations that were either settled during the year or are no longer expected to be realised. This was partly offset by impairment and write-downs of the Baltika brand in Russia and our investment in Tibet Lhasa Brewery.

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 -379m (2020: DKK -403m). Excluding currency gains and losses, financial items, net, amounted to DKK -313m (2020: DKK -542m), positively impacted by the reversal of the previous write-down of the loan to our partner in Carlsberg South Asia Pte Ltd. This was partly offset by higher provisions related to interest on tax cases in certain markets. Net currency losses and fair value adjustments amounted to DKK -66m, mainly related to USD/EUR deposits and hedging of packaging materials in Eastern Europe and USD-related currency losses in Asia. Read more about net financial items in section 4.1 in the consolidated financial statements.

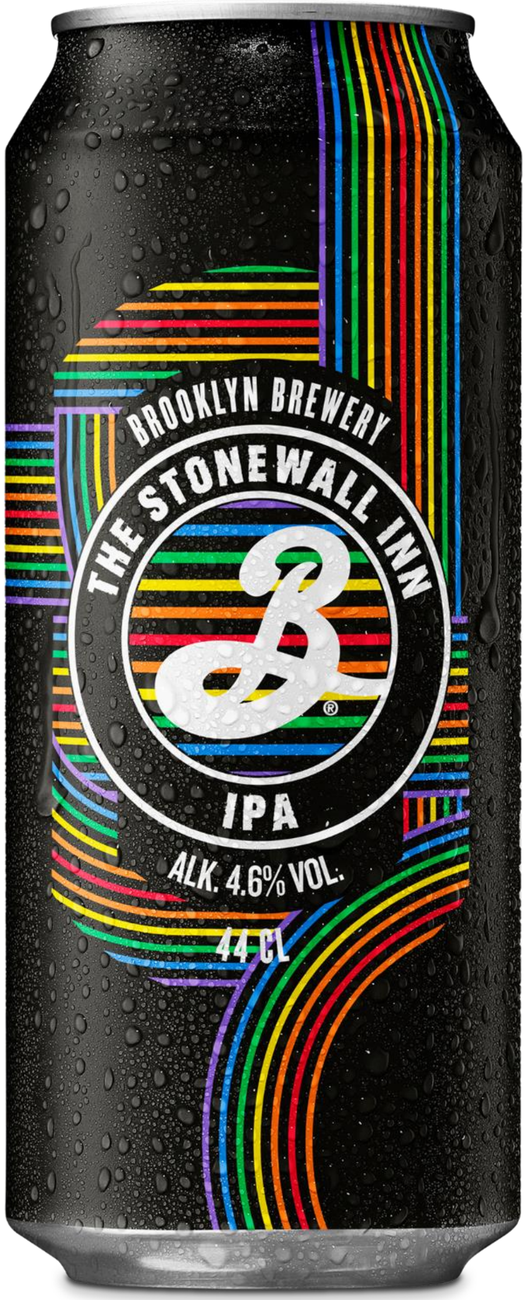
Tax totalled DKK -2,182m (2020: DKK -2,240m). The effective reported tax rate declined by 320bp to 21.5%, impacted by non-taxable gains in special items and lower net tax provisions. Excluding special items, the effective tax rate was 23.3%.

The Carlsberg Breweries Group's share of consolidated profit (net profit) was DKK 6,813m (2020: DKK 6,053m). The increase was primarily driven by the higher operating profit, lower net financials and the lower tax rate.

STONEWALL INN IPA

Brooklyn Brewery has been a proud partner of the Stonewall Inn since 2017, when the brewery was asked to create a beer to help raise awareness, generate funds and make real change for the LGBTQ+ community and its non-profit The Stonewall Inn Gives Back Initiative (SIGBI). SIGBI exists to support LGBTQ+ communities in their fight by funding grassroots activists and their work. Read more in our Environment, Social & Governance Report. In 2021, Carlsberg launched the unapologetically refreshing Stonewall Inn IPA in markets in Western Europe and Asia. Our total Brooklyn brand portfolio grew volumes by 16%.

SAIL'22 GROW CRAFT & SPECIALITY



Non-controlling interests were DKK 1,163m (2020: DKK 778m), positively impacted by strong growth for Carlsberg Chongqing Breweries Group in China, the reversal of provisions made in purchase price allocations in China (DKK 189m impact on non-controlling interests) and the inclusion of Carlsberg Marston's Brewing Company in the UK. Excluding the impact from special items, non-controlling interests were DKK 1,082m.

STATEMENT OF FINANCIAL POSITION

ASSETS

Total assets amounted to DKK 114,738m at 31 December 2021 (31 December 2020: DKK 108,100m). The increase was mainly due to higher intangible assets, inventories, trade and other receivables.

Total non-current assets amounted to DKK 91,468m (31 December 2020: DKK 87,924m). Intangible assets totalled DKK 57,267m (31 December 2020: DKK 54,852m). The increase was mainly due to the acquisition of Marston's brewing activities and Wernesgrüner Brewery as well as currency appreciation, primarily of the Russian and Chinese currencies, partly offset by impairment of brands and other intangible assets. Property, plant and equipment totalled DKK 26,552m (31 December 2020: DKK 26,148m), impacted by currency movements and capital expenditure offset by disposals and depreciation. Financial assets totalled DKK 7,649m (31 December 2020: DKK 6,924m). The increase was due to recognition of the business in Nepal as an associate.

Total current assets amounted to DKK 23,208m (31 December 2020: DKK 20,176m). Inventories increased by DKK 778m to DKK 5,391m, impacted in Asia by stocking prior to the Chinese New Year and currency appreciation. Trade receivables increased by DKK 1,975m due to higher sales than in 2020. The increase in other receivables was mainly due to fair value adjustments linked to higher aluminium prices and the reversal of the write-down of the loan to our partner in Carlsberg South Asia Pte Ltd. Cash and cash equivalents amounted to DKK 8,344m (31 December 2020: DKK 8,093m).

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

EQUITY AND LIABILITIES

Equity

Equity amounted to DKK 37,338m at 31 December 2021 (31 December 2020: DKK 32,869m), DKK 32,523m of which was attributed to share-holder in Carlsberg Breweries A/S and DKK 4,815m to non-controlling interests.

The net change in equity of DKK +4,469m was explained by the consolidated profit of DKK 7,976m, non-controlling interests of DKK +941m and foreign exchange adjustment in other comprehensive income of DKK +3,307m, offset by the dividend payout of DKK -3,759m and the capital reduction of DKK -4,000m, which reflects the share buy-backs that was carried out by Carlsberg A/S over a 12 month period from 5 February 2021.

Liabilities

Total liabilities were DKK 77,400m (31 December 2020: DKK 75,231m).

At 31 December 2021, non-current- and current borrowings amounted to DKK 28,931m. Non-current borrowings declined by DKK 6,536m, while current borrowings increased by DKK 5,208m due to the reclassification of a EUR 750m bond, which matures in November 2022.

Non-current tax liabilities, retirement benefit obligations etc. were DKK 11,872m (31 December 2020: DKK 17,007m). The decline was mainly due to the revaluation and reclassification to current liabilities of the put option held by our partner in Carlsberg South Asia Pte Ltd and the reversal of provisions made in purchase price allocations in previous years in China and Cambodia.

Current liabilities excluding current borrowings increased to DKK 37,597m (31 December 2020: DKK 27,965m). Trade payables increased by DKK 3,818m, impacted by currencies and a higher activity level.

Other current liabilities, excluding deposits on returnable packaging, increased by DKK 5,586m, impacted by the above-mentioned reclassification of the put option held by our partner in Carlsberg South Asia Pte Ltd and higher bonus accruals. Read more about the put option held by our partner in Carlsberg South Asia Pte Ltd in section 5.4 in the consolidated financial statements.

CASH FLOW

Free operating cash flow was DKK 9,081m, an increase of DKK 2,041m. Free cash flow amounted to DKK 8,498m (2020: DKK 4,999m). The increase was mainly impacted by the higher EBITDA, a higher net contribution from the change in working capital and lower financial investments than in 2020.

Net cash flow amounted to DKK -72m (2020: DKK +3,247m), impacted by higher cash returns to shareholder in the form of dividends, in total amounting to DKK 7,260m, and net cash flow in 2020 being positively impacted by two bond placings of EUR 500m each.

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities amounted to DKK 12,877m (2020: DKK 10,866m).

EBITDA was DKK 15,465m (2020: DKK 14,094m).

The change in trade working capital was DKK +798m (2020: DKK +1,340m), mainly due to strong cash management discipline and higher trade payables. Average trade working capital to revenue for the year was -18.4%, on par with 2020 (-18.6%).

The change in other working capital was DKK +244m (2020: DKK -1,132m), mainly impacted by VAT, bonus accruals and provisions. Section 2 in the consolidated financial statements contains more details on assets.

Restructuring costs paid amounted to DKK -372m (2020: DKK -529m). Net interest etc. paid amounted to DKK -913m (2020: DKK -412m). The increase was mainly due to the settlement of financial instruments and provisions. Corporation tax paid was DKK -2,042m (2020: DKK -1,980m).

CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities was DKK -4,379m (2020: DKK -5,867m).

Operational investments totalled DKK -3,796m (2020: DKK -3,826m). Acquisition of property, plant and equipment and intangible assets (CapEx) amounted to DKK -4,215m (2020: DKK 4,386m). Excluding the purchase of the Brooklyn brand rights in 2020, operational investments increased by DKK 633m.

Total financial investments amounted to DKK -583m (2020: DKK -2,041m), impacted by deferred considerations related to the acquisition of Marston's brewing activities and the deconsolidation of the business in Nepal.

RETURN ON INVESTED CAPITAL

Return on invested capital (12-month average) increased by 150bp to 12.0%, driven by higher profits and the lower tax rate. ROIC excluding goodwill improved by 420bp to 31.3%.

FINANCING

At 31 December 2021, gross financial debt amounted to DKK 28,931m and net interest-bearing debt to DKK 18,843m (2020: DKK 20,092m). The strong free cash flow more than offset the capital reduction (DKK 4.0bn) and dividends to shareholder and non-controlling interests (DKK 3.8bn). The difference of DKK 10,088m between gross financial debt and net interest-bearing debt mainly comprised cash and cash equivalents of DKK 8,344m.

At 31 December 2021, the average debt duration was 4.8 years (2020: 5.6 years). Of the gross financial debt, 79% (DKK 22,755m) was long term, i.e. with maturity of more than one year from 31 December 2021.

Net interest-bearing debt/EBITDA was 1.22x (2020: 1.43x). The financial leverage was kept slightly more conservative than in past years to ensure financial flexibility to potentially purchase the 33% shareholding in Carlsberg South Asia Pte Ltd.

+10%

SOMERSBY VOLUME GROWTH

Developed in 2008, the Somersby brand was originally launched in Denmark. Today, Somersby is available in more than 70 markets world-wide. Somersby is associated with optimism and playfulness, and the brand portfolio, which includes several fruity variants, was recently extended with alcohol-free variants. The Somersby portfolio and its repeatable model are powerful drivers for the brand's strong global growth, and in 2021 Somersby volumes grew by 10%. In SAIL'27, we will further strengthen our focus on categories beyond beer, including Somersby.

SAIL'22 GROW CRAFT & SPECIALITY AND WIN IN ALCOHOL-FREE BREWS

CAPITAL ALLOCATION

DELIVERING ON CAPITAL ALLOCATION PRINCIPLES

SAIL'22 has clear priorities for delivering shareholder value: organic growth in operating profit, improved return on invested capital and optimal capital allocation.

The Carlsberg Group's capital allocation principles are:

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

The capital allocation in Carlsberg Breweries Group is aligned with these principles. The capital allocation principles will remain unchanged in SAIL'27.

DRIVING LONG-TERM GROWTH

Notwithstanding the continued challenges posed by COVID-19 in 2021, we scaled up our marketing investments during the year. As in 2020, we adjusted the investment level during the year to the local market conditions, including the extent of lockdowns and various restrictions.

For the year, marketing investments grew organically by 11%. Reported marketing investments amounted to 7.5% of revenue. The strong progress on our growth priorities (see page 16) and the rebound of organic volumes to above 2019 levels serve as proof points for the quality and sufficiency of our investments.

Excluding the acquisition of the Brooklyn brand rights in 2020, CapEx in 2021 increased by DKK 633m, bringing the CapEx/revenue ratio to 6.3%.

LEVERAGE

Despite significant cash returns to shareholder, net interest-bearing debt to EBITDA at the end of the year was 1.22x, well below our target of below 2.0x.

VALUE-ENHANCING M&A

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

In 2021, we completed the acquisition of Wernesgrüner Brewery in Germany and a few other minor acquisitions.

2022 EARNINGS EXPECTATIONS

EARNINGS EXPECTATIONS

2022 will be another challenging year, impacted by COVID-19 and substantial increases in input costs.

COVID-19 is expected to continue to impact our markets to various degrees. At the same time, our business will be impacted by substantial increases in input costs, which we aim to offset in absolute terms through higher revenue/hl and continued tight focus on costs. The higher revenue/hl may have a negative impact on beer consumption. As a result, 2022 guidance is:

- Organic operating profit growth of 0-7%.

In the second half of 2021, we began seeing significant price increases for commodities, packaging materials and energy, albeit with large variations between categories and between markets and regions. As a result, we are assuming an increase in cost of goods sold per hl (COGS/hl) of 10-12%. However, volatility remains high for many categories, and the COGS development for the year may be impacted by changes in spot prices on unhedged input costs.

Moreover, the earnings outlook is based on the following regional assumptions:

- In Western Europe, we assume that the on-trade channel will be less impacted by COVID-19 than in 2021, although we are expecting some on-trade disruption at the beginning of the year due to restrictions.
- In Asia, we expect another volatile year. While the vaccination rate is increasing in many markets in the region, COVID-19 outbreaks still pose a risk of national or regional lockdowns.
- In the southern part of the Central & Eastern Europe region we assume a lower impact on the on-trade from COVID-19 than in 2021. In the eastern part of the region, we expect consumer sentiment to be increasingly impacted by accelerating inflation, which may impact beer market dynamics negatively.

Based on the spot rates at 3 February, we assume a translation impact of around DKK +250m for 2022.

Other relevant assumptions are:

- Financial expenses, excluding currency losses or gains, are expected to be around DKK 550m.
- The reported effective tax rate is expected to be around 22-23%.
- Capital expenditure at constant currencies is expected to be around DKK 5.0bn.

Forward-looking statements

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

This is particularly relevant in 2022 due to the very high uncertainty related to the continuing development and impact of COVID-19 and the substantial increases in input costs. Accordingly, forward-looking statements should not be relied on as a prediction of actual results. Please see page 26 for the full forward-looking statements notice.

OUR PURPOSE

BREWING FOR A BETTER TODAY AND TOMORROW

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

Our purpose 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.

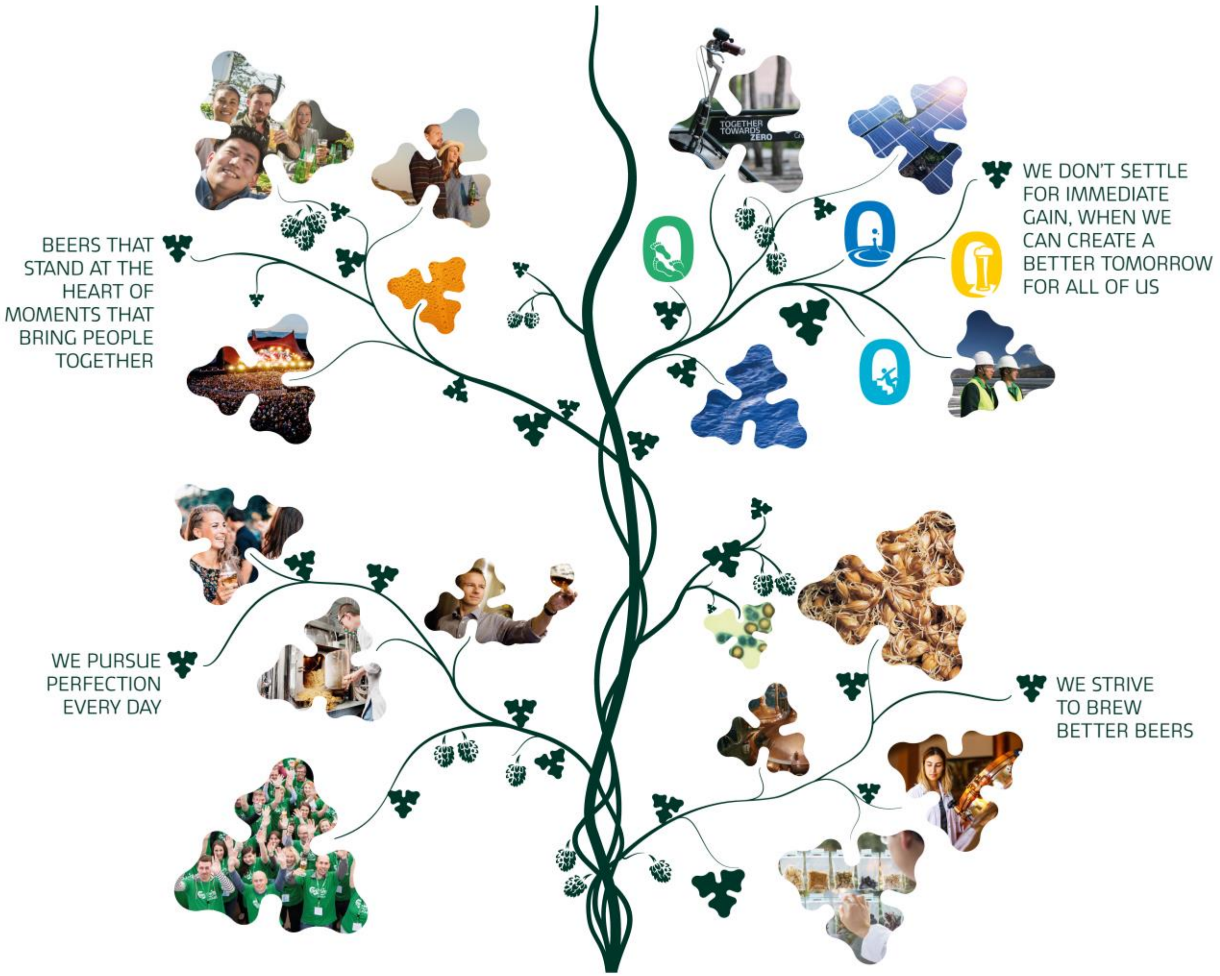
The embedding of our purpose has been further strengthened during the past two years. Our people have tirelessly demonstrated a high level of engagement and an innovative mindset at all levels of the organisation, helping local communities, supporting our customers and minimising the impact of the pandemic 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 our Golden Triangle.

Professional in being the preferred supplier for our customers.

Attractive in creating value for our shareholder, 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 22 markets in Western Europe, Asia and Central & Eastern Europe where we are no. 1 or 2.

BREWING FOR A BETTER TODAY AND TOMORROW

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

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

The strength of our beer portfolio lies in the strong local roots of our local power brands, combined with our 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 Funding the Journey culture drives efficiencies and reduces costs. The focus of our integrated supply chain is optimising asset utilisation while brewing high-quality beer and enabling our commercial growth agenda.

BREWING FOR A BETTER TODAY AND TOMORROW

Recognising the need for strong actions in the face of complex sustainability challenges, Together Towards ZERO sets clear and ambitious targets for carbon emissions, water usage and health & safety.

DELIVERING ON SAIL'22

CONTINUED EXECUTION

Our SAIL'22 choices and priorities have strengthened the Group and we're satisfied with the top- and bottom-line delivery.

Cees 't Hart
CEO

Our SAIL'22 strategy has served us well since its launch in 2016, resulting in a strong and resilient company.

SAIL'22 has focused on improving our business organically. Since 2016, it has guided our actions, setting clear priorities for how we brew for a better today and tomorrow.

While providing a clear overall direction for our business, SAIL'22 has been a "living" strategy.

Since its launch in March 2016, we have continuously adjusted the application of the strategy to reflect learnings and also the market environment, which has significantly changed, especially with COVID-19.

Coupled with a significantly strengthened performance management culture and a good organisational balance between markets, regions and central functions, we have been able to leverage scale while remaining close to local consumers and customers.

EXECUTING SAIL'22

2016-2017

Our headline for 2016-2017 was Funding the Journey. Our main focus was on delivering the benefits of this efficiency and savings programme, thereby allowing us to invest in the SAIL'22 priorities for driving long-term value growth and to improve operating profit.

2018-2019

In 2018, we shifted focus to organic top-line growth by means of delivering on the SAIL'22 priorities.

Our investments and execution paid off and the average annual organic growth from 2017 to 2019 was 3% for volumes and 4% for revenue.

2020-2021

The resilience of our strategic priorities was stress-tested and proven during the significant challenges posed by COVID-19 across our markets. Despite the setback and volatility caused by the pandemic in 2020-2021, the resilience of the Carlsberg Breweries Group was strong, and our financial results in 2021 were well above the pre-pandemic levels of 2019: volumes +5% compared with 2019, revenue +1% and operating profit +3%.

EVALUATING PROGRESS

SAIL'22 is now coming to an end, and 2022 will be a year of transition to SAIL'27. 2023 will therefore be the first year of SAIL'27 (see pages 18-19).

On the following pages, we present the results for selected SAIL'22 initiatives and priorities achieved since 2016.

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

DELIVERING ON SAIL'22

STRENGTHEN THE CORE

SAIL'22 sharpened our focus on our core beer business, our execution capabilities and efficiency, and our cost culture. The strategy has delivered well, and the strength of our core business has been evident in results during the past two challenging years of COVID-19.

SAIL'22
LEVERAGE OUR STRONGHOLDS

+5%

CORE BEER GBC

Core beer remains an important part of our business, and revitalising core beer has been an important part of SAIL'22. We have measured our success by our ability to grow the gross brand contribution (GBC) from core beer. In 2021, GBC was up by 5%. Excluding the years impacted by COVID-19, GBC grew organically by an average of 4% per year from 2017 to 2019.

CORE BEER GBC, ORGANIC GROWTH

+3%	+6%	+3%	-7%	+5%
2017	2018	2019	2020	2021

SAIL'22
EXCEL IN EXECUTION

+4%

REVENUE/HL GROWTH ON CARL'S SHOP

Carl's Shop – our online business-to-business platform serving our on-trade customers – was first launched in 2018 in Western Europe. The platform is now available in ten markets across our three regions, serving more than 40,000 customers. Supporting our premiumisation efforts, revenue/hl on Carl's Shop grew by 4% in 2021 and revenue was up by around 60%.

SAIL'22
FUNDING THE JOURNEY CULTURE

-320bp

SG&A/REVENUE 2016-2021

Funding the Journey, our three-year efficiency and cost reduction programme, was launched in late 2015. By the end of 2018, the programme had delivered savings of more than DKK 3bn, well ahead of initial expectations. More than DKK 1bn was reinvested in the company to support our SAIL'22 growth priorities. The mindset of Funding the Journey has become part of our corporate culture, resulting in a continual reduction in sales, general and administrative expenses (SG&A, excluding marketing).

SG&A EXCLUDING MARKETING/REVENUE

2016 2018 2020 2021

DELIVERING ON SAIL'22

POSITION FOR GROWTH

Our three SAIL'22 growth priorities have delivered strong results. COVID-19 proved them to be complementary, illustrated by the strength of alcohol-free brews during a time when on-trade closures led to challenging market conditions for the craft & speciality portfolio.

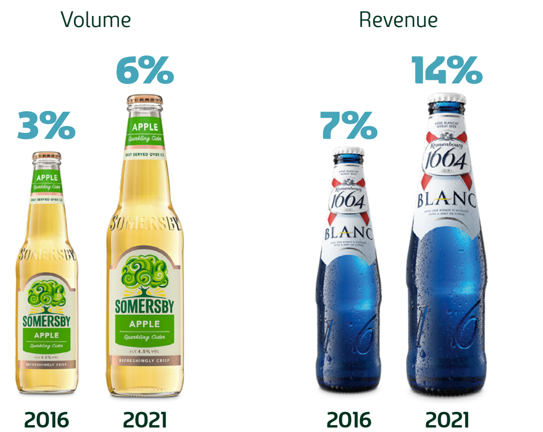
SAIL'22
GROW CRAFT & SPECIALITY

+11%

CRAFT & SPECIALITY VOLUME 2016-2021 (CAGR)

Supported by the global success of the iconic 1664 Blanc and the Somersby cider brand, our craft & speciality (C&S) portfolio has delivered strong results since 2016. Volume growth from 2016 to 2021 (CAGR) was 11% despite the negative impact on the on-trade channel of COVID-19 in 2020 and 2021.

C&S SHARE OF GROUP BEER VOLUME AND REVENUE



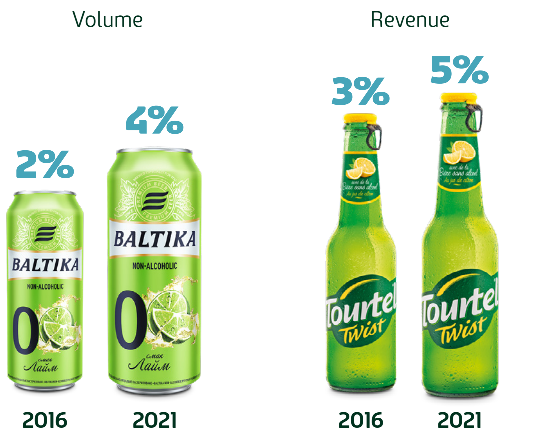
SAIL'22
WIN IN ALCOHOL-FREE BREWS

+14%

ALCOHOL-FREE BREWS VOLUME 2016-2021 (CAGR)

Helped by growing consumer awareness of health and wellbeing, pioneering brewing techniques and category outperformance, our alcohol-free brew (AFB) volumes have more than doubled since 2016. Our AFB portfolio includes beer and radler line extensions of both our strong local power brands and the international premium brands.

AFB SHARE OF GROUP BEER VOLUME AND REVENUE



SAIL'22
GROW IN ASIA

+12%

OPERATING PROFIT IN ASIA 2016-2021 (CAGR)

Our Asia region has been a key component in our growth algorithm. During the past five years, the region has delivered volume growth, premiumisation and strong progress in operating profit. China has been a particularly strong contributor, more than tripling operating profit, and our businesses in markets such as India, Vietnam and Laos have also significantly strengthened their results.

DELIVERING ON SAIL'22

CREATING A WINNING CULTURE

Our winning culture continues to define what we want to be: team-based and performance-driven, governed by high ethical standards, and committed to responsibility and sustainability. We have stepped up within all of these areas as part of SAIL'22, and we are on track to deliver on our Together Towards ZERO targets.

SAIL'22
LIVE BY OUR COMPASS

UPDATED CODE OF ETHICS & CONDUCT

Our new Code of Ethics & Conduct is designed to help everyone across the Group to live by our Compass every day. It is available in 29 languages and accompanied by updated e-learning, which includes real-life scenarios and examples of non-compliance red flags and how to mitigate them. It also encourages people to speak up about any instances where the code may have been violated. Read more about how we live by our Compass, including our new Code of Ethics & Conduct, and find more details on our Speak Up system in the ESG Report.

SAIL'22
TEAM-BASED PERFORMANCE

82%

ENGAGEMENT SCORE

Our Group-wide employee survey – MyVoice – is carried out every other year. On the back of the very challenging working conditions in the past two years, we were pleased that 92% of our workforce participated in the 2021 survey and that results were stable compared with 2019. The overall engagement score was 82%, while 89% of employees are satisfied with our company as a place to work.

SAIL'22
TOGETHER TOWARDS ZERO

40%

REDUCTION IN RELATIVE CARBON EMISSIONS 2015-2021

Our ambitious carbon targets are approved by the Science-Based Targets Initiative and in line with the latest climate science to limit global warming to 1.5°C. In 2021, we reduced relative brewery carbon emissions by 2%. Since 2015, our relative brewery carbon emissions are down by 40%, while our relative value chain (beer-in-hand) emissions in were reduced by 7% from 2015-2019.

21%

IMPROVEMENT IN WATER EFFICIENCY 2015-2021

Water is an essential ingredient in our products, and other key ingredients like grains and hops need it to grow. At 2.7 hl/hl in 2021, we have made a 21% improvement in water efficiency from our 2015 baseline. Our 2030 target is to halve the amount of water we use per hl of beer, from the 2015 baseline, and we are on track to reach the halfway mark of a 25% reduction in 2022.

Read more about our winning culture in the ESG Report, available online on
www.carlsberggroup.com

CONTINUING THE SUCCESS OF SAIL'22

An evolution of SAIL'22, SAIL'27 is built around our purpose and our ambition of being the most successful, professional and attractive brewer in our markets.

SAIL'27 was developed as a collaborative, company-wide effort, co-created by over 200 Carlsberg employees from more than 30 different markets to ensure that we incorporated the learnings from SAIL'22 and that SAIL'27 will be strongly embedded in our local markets and central functions from the very beginning.

In developing SAIL'27, we aimed at keeping and sharpening our strong strategic, organisational and financial dynamics while ensuring that our direction-setting was refreshed and that our new strategy reflects expected consumer, customer, societal, regulatory, economic and geopolitical trends and their likely impact on the beer category in terms of both volume and value. As such, SAIL'27 reflects the learnings from the past and assumptions for the future blended together.

SAIL'27 PRIORITIES

SAIL'27 focuses on five strategic levers – portfolio, geographies, execution, culture and funding the journey – for which we have made distinct strategic choices, defining the focus of our efforts and resource allocation. Our strategic levers and choices should be viewed as an integrated set of activities that together will drive shareholder value.

INCREASING OUR AMBITIONS

With SAIL'27, we will continue our successful journey. We believe we can successfully capture long-term growth opportunities, and we are therefore increasing our financial and sustainability ambitions for the SAIL'27 period:

- Organic revenue growth of 3-5% CAGR
- Organic operating profit growth above revenue growth.
- Continued ROIC focus
- Disciplined capital allocation (unchanged from SAIL'22, see page 10)
- Ambitious sustainability targets.

SAIL'27 is presented in detail in the stock exchange announcement of 3 February, available on www.carlsberggroup.com.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Anders Holme Jensen


Anja Deleuran


Anton Panasenko


Arkar Min

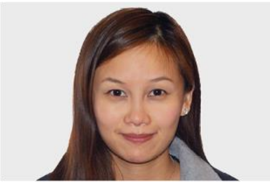

Branka Radojicic


Inga Kudzmaite


Kalpesh Sharma


Marcela Wiwe


Kameliya Pavlova


Kiko Mak


Kristian Skou


Magdalena Ziółkowska


Malailack Rasachack


Pawan Bharariya


Qing Yao Fang


Sebastian Sigvaldason


Tom Spencer


Van Tran Le


Lars Aarflot

We worked with 138 co-strategists to build SAIL'27. They provided valuable insights and fantastic views, helping us frame and develop our strategic priorities and ensuring that they fit the needs of all our markets and functions.

Marcela Wiwe
Director and leader of the co-strategist programme

138

SAIL'27 CO-CREATORS

SAIL'27 was co-created with talents from across the Carlsberg Group. In addition to our Extended Leadership Team, 138 co-strategists from our markets, regions and Group functions participated in reviews as well as the development of 34 different workstreams with the ambition to capture even more diverse thinking in the considerations and choices for the next strategy period. Our co-strategists brought valuable experience, local market insights, learnings and ideas to the strategy process and were an important contributor to the strategic choices and priorities of SAIL'27.

SAIL 27 **OUR WINNING CULTURE**

MANAGING RISKS

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 has appointed the Audit Committee of Carlsberg A/S to act on its behalf in monitoring the effectiveness of the Group's risk management.

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

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

SHORT-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, macro-economic 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.

RISKS IDENTIFIED FOR 2022

The identified risks for 2022 are shown in the box on the right. Based on the heat map assessment, the six highest ranked risks are elaborated on in the following, including in each case a description of the risk and associated mitigation efforts.

Our mitigating actions and opportunities for three out of six risks are closely related and benefit from the well-established SAIL'22 execution capabilities.

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

IMPACT FROM COVID-19

Risk movement

Decrease versus last year.

Description

COVID-19 continues to affect our people and business across our regions. While government interventions vary by geography, lockdowns and other restrictive measures across all three regions affect consumer off-take in both the on-trade and off-trade channels.

IDENTIFIED RISKS FOR 2022

RISKS WITH HIGHEST POTENTIAL IMPACT AND LIKELIHOOD

- Impact from COVID-19
- Ability to mitigate input cost inflation
- Economic instability
- Partnerships
- Legal and regulatory compliance
- Cyber and IT security

OTHER IDENTIFIED RISKS

- Regulatory changes, incl. duties
- Financial flexibility
- Business interruption
- Consumer action in the event of non-performance on ESG matters
- Talent and workforce shortage

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.

We anticipate continuous impact from COVID-19 in 2022 in accordance with how the pandemic develops and with the distribution and efficacy of vaccines.

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

Operationally, we will continue to apply the ways of working from 2020 and 2021. These include 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. In addition, we also leverage our Funding the Journey culture, including the Operating Cost Management (OCM) toolkit.

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

INPUT COST INFLATION

Risk movement
New.

Description
Many of our input costs, including, but not limited to, barley and malt and various packaging materials, saw significant price increases during 2021. Further, in some markets adverse foreign exchange movements are exacerbating the inflationary pressure.

Competition in most markets is generally fierce, and in many markets across our regions this is leading to a challenging pricing environment. In addition, increasing inflation may negatively impact consumer sentiment and purchasing power.

Mitigation
Being well hedged for our major commodities, we have a high degree of transparency on the input cost headwind, which enabled us to begin preparing for the challenging situation from mid-2021 onwards at market, regional and Group level.

Per market, we are determining the right balance of mitigating actions, including value management, channel and category mix, pricing and Funding the Journey initiatives.

Commodity risks and hedging of raw materials are described in more detail in section 1.2 and foreign exchange risk in section 1.3 in the notes to the consolidated financial statements.

ECONOMIC INSTABILITY

Risk movement
Increase versus last year.

Description
In continuation of the COVID-19 risk, the pandemic has led to high macroeconomic uncertainty. Growing inflation, interest rate increases in key economies, adverse currency movements and geopolitical tensions are further exacerbating the macroeconomic risk.

Exchange rate fluctuations can have a significant impact on the Group's financial results. The high economic uncertainty also poses a downside risk to disposable incomes, possibly impacting beer markets negatively.

Mitigation
During the past two years, our planning has become more short-term and highly flexible to allow appropriate actions within a short time horizon.

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

Our exposure to exchange rate fluctuations and our related actions, including the impact on the income statement and borrowings and our hedging arrangements, are described in sections 1 and 4 in the consolidated financial statements.

PARTNERSHIPS

Risk movement
Unchanged versus last year.

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

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.

Cooperation with most of our partners is positive. However, over a period of time, we have had serious disagreements with our partner in Carlsberg South Asia Pte Ltd (CSAPL), in which the Group has 67% ownership and our partner has 33% ownership. CSAPL owns 100% of our business in India and 90% of our business in Nepal. Several of the disagreements pertaining to the Shareholders' Agreement between Carlsberg and our partner have been referred to arbitration in Singapore. We expect the arbitration award in H1 2022.

Carlsberg called in a loan made to the partner that had become due and payable in full. This issue had been subject to separate court proceedings in Singapore for some time. In January 2022, the Singapore court of appeal finally confirmed that the loan with interest is repayable by the partner to Carlsberg in full.

In Nepal, the local shareholder owning the remaining 10% of the shares in the business is a related party to the Group's partner in CSAPL. The above-mentioned disagreements include a dispute with the local 10% shareholder. Contrary to its legal and contractual rights, the Group's influence on the business operations in Nepal is currently being restricted through actions that hamper its right of decision-making and insight into the business.

We are contesting these actions in Nepal through the local courts and anticipate that the operations and management of the Nepalese business will eventually be normalised in line with the Group's legal and contractual rights. However, consolidation of the Nepalese business was ceased at the end of 2021 until such time as our rights as majority shareholder are re-established.

Disputes always carry some inherent risk. The outcome of the above-mentioned disputes could limit the Carlsberg Breweries Group's freedom to operate in India and Nepal, and affect our operational and financial performance.

The arbitration could have various outcomes, including either party being awarded a call option to buy out the other shareholder. If the tribunal were to find that Carlsberg has materially breached the Shareholders' Agreement, although this is not expected, the partner could become entitled to a call option to acquire the Group's 67% shareholding in CSAPL. From the time that such a call option were to become exercisable, the Group would, for accounting purposes, be required to cease consolidation of CSAPL, including Carlsberg India, and derecognise the investment in Gorkha Brewery, Nepal. If such a call option were to be awarded but not exercised, the Group would resume consolidation when the option lapses. Conversely, if the award is in favour of the Group, it could result in the acquisition of the 33% shareholding in CSAPL held by the partner. A party being awarded a call option that is subsequently exercised could lead to that party taking possession of 100% of the shares in CSAPL, resulting in the other party no longer being involved in the business of CSAPL. See sections 3.4 and 5.4 in the consolidated financial statements for further details of the partnership.

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

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

LEGAL AND REGULATORY COMPLIANCE

Risk movement
Unchanged versus last year.

Description
Legal and regulatory compliance risks include competition law and data protection compliance (GDPR), as well as non-compliance with 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 3.4 of the consolidated financial statements.

Mitigation
We continuously strengthen the Group-wide control framework covering legal compliance areas, including, but not limited to, competition law, anti-bribery & corruption, trade sanctions and data protection. In 2021, we also further enhanced the compliance control framework to reflect insight and learning from Speak Up cases, regulatory guidance and enforcement action.

We regularly review and, where necessary, 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 better understand their role in shaping ethical behaviour every day.

We have enhanced our compliance training programme and updated our e-learning modules, including in 2021 updated training on the Code of Ethics & Conduct. Relevant new and existing employees are required to complete compliance e-learning modules on an ongoing basis in order to maintain awareness of relevant risks and how to mitigate them.

In 2021, we reviewed, simplified and rationalised 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. This included the launch of and Group-wide training in our updated Code of Ethics & Conduct in the third quarter.

Read more about our compliance efforts in the Responsible business section of the Environment, Social & Governance Report.

CYBER AND IT SECURITY

Risk movement
Decrease 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.

The decrease of the risk versus 2021 is due to the introduction of new incident monitoring and response capabilities as well as advanced defensive technologies.

Mitigation
Our IT security organisation has regular dialogue with ExCom and the Supervisory Board to agree on risk mitigation plans and activities. Our Chief Information Security Officer leads an independent cyber security function within our IT organisation.

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

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

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 2021 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 internal control environment.

The Audit Committee is responsible for monitoring the effectiveness of the overall internal control environment and risk management systems, in particular related to the financial reporting process.

The Group has a number of policies and procedures in key areas of financial reporting, including the Finance Policy, the Accounting Manual, the Controller Manual, the Use of Auditors Policy, the Chart of Authority, the Risk Management Policy, the Financial Risk Management Policy, the Corporate Governance Policy, the Information Security & Acceptable Use Policy, the Records Management & Personal Data Protection Policy, the Stock Exchange Compliance Policy, the Tax Policy, and the Code of Ethics & Conduct.

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

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

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

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

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

RISK ASSESSMENT

With the implementation of the internal control framework for financial reporting, the Group has identified the risks that could have a direct or indirect material impact on the financial statements. Group entities are required to document and report transaction processes and the controls in place to cover the key risks identified.

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

CONTROL ACTIVITIES

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

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

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

In 2021, the Group completed a project on standardising finance and accounting processes in Western Europe. The Group has established a global process function in order to continue the work with standardisation and simplification throughout the Group for all areas. The quality of processes and associated internal controls are subject to continuous monitoring and testing by the Group's Risk & Internal Control function as well as to regular internal audits.

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 are required to maintain mapping of risks related to the segregation of duties and implement necessary compensating controls, thereby continuously strengthening the internal control environment and enforcing optimal segregation of duties in the ERP systems.

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 periodically and approved by the Audit Committee.

Taking into account the annual review of business risks (see pages 20-22), an internal audit plan is drawn up for the year. The plan is reviewed and approved by the Audit Committee. In 2021, 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.

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

SPEAK UP

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

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

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

The Misconduct Investigation Handbook was updated in 2020 to clarify how investigations should be undertaken. In 2021, there was a relaunch of a communication campaign to raise awareness of the various Speak Up channels available and the importance of speaking up. These communication efforts will continue in 2022.

Since the establishment of the Speak Up system, some reports and their subsequent investigation have led to disciplinary sanctions, including dismissal on the basis of violation of the Code of Ethics & Conduct and/or Group policies.

The incidents have not had any material impact on the financial results of the Group 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 Environment, Social & Governance Report.

SUPERVISORY BOARD MEMBERS

FLEMMING BESENBACHER

CHAIR (SINCE 2019)
Nationality: Danish
Year of birth: 1952
Appointed (until): 2012 (2022)

BOARD FUNCTION
Non-executive, non-independent director.

PROFESSION
Professor, D.Sc., h.c. mult, FRSC.

OTHER BOARD POSITIONS
Board Chair Aarhus Vand, UNLEASH, ONE\THIRD, DANIAS.
Board Member Unisense, SulfiLogger.

Flemming Besenbacher has notified the Supervisory Board that he is not standing for re-election.

HENRIK POULSEN

DEPUTY CHAIR (SINCE 2021)
Nationality: Danish
Year of birth: 1967
Appointed (until): 2021 (2022)

BOARD FUNCTION
Non-executive, independent director.

PROFESSION
Non-executive board director.

OTHER BOARD POSITIONS
Board Chair Faerch Group.
Board Deputy Chair ISS.
Board Member Ørsted, Novo Nordisk, Novo Holdings, Bertelsmann SE & Co.

The Supervisory Board will propose Henrik Poulsen as the new Chair of the Supervisory Board.

CEES 'T HART

CEO
Nationality: Dutch
Year of birth: 1958
Appointed (until): 2015 (2022)

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 (2022)

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 a member of the Board of Directors and Chair of the Audit Committee of Novozymes and a member of the Board of Directors and Chair of the Audit Committee of Pandora.

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, Carlsberg Breweries A/S.

OTHER BOARD POSITIONS
None.

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/

NEW BOARD MEMBERS

The Supervisory Board will propose Makjen Schultz as new member to be elected at the Annual General Meeting on 25 February 2022

MAJKEN SCHULTZ

Nationality: Danish
Year of birth: 1958

BOARD FUNCTION
Non-executive, non-independent director.

PROFESSION
Chair of the Board of Directors of the Carlsberg Foundation. Professor, Ph.D., Copenhagen Business School. International Research Fellow, Saïd Business School, Oxford University.

OTHER BOARD POSITIONS
Board Member Realdania.

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

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

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CONSOLIDATED FINANCIAL STATEMENTS

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INCOME STATEMENT

DKK million	Section	2021	2020
Revenue	1.1	66,634	58,541
Cost of sales	1.2.1	-35,307	-30,180
Gross profit		**31,327**	**28,361**
Sales and distribution expenses	1.2.3	-16,729	-15,373
Administrative expenses		-4,080	-3,414
Other operating activities, net	1.2.4	93	-154
Share of profit after tax of associates and joint ventures	5.5	259	298
Operating profit before special items		**10,870**	**9,718**
Special items, net	3.1	-333	-244
Financial income	4.1	583	378
Financial expenses	4.1	-962	-781
Profit before tax		**10,158**	**9,071**
Income tax	6.1	-2,182	-2,240
Consolidated profit		**7,976**	**6,831**
Attributable to			
Non-controlling interests	1.1	1,163	778
Shareholder in Carlsberg Breweries A/S (net profit)		6,813	6,053

STATEMENT OF COMPREHENSIVE INCOME

DKK million	Section	2021	2020
Consolidated profit		**7,976**	**6,831**
Other comprehensive income			
Retirement benefit obligations	7.4	577	2
Share of other comprehensive income in associates and joint ventures	5.5	10	-4
Income tax	6.1	20	-42
Items that will not be reclassified to the income statement		**607**	**-44**
Foreign exchange adjustments of foreign entities	4.1	3,307	-7,640
Fair value adjustments of hedging instruments	4.1	-323	198
Income tax	6.1	83	-22
Items that may be reclassified to the income statement		**3,067**	**-7,464**
Other comprehensive income		**3,674**	**-7,508**
Total comprehensive income		**11,650**	**-677**
Attributable to			
Non-controlling interests		1,246	456
Shareholder in Carlsberg Breweries A/S		10,404	-1,133

STATEMENT OF FINANCIAL POSITION

DKK million	Section	31 Dec. 2021	31 Dec. 2020
ASSETS			
Non-current assets			
Intangible assets	2.2, 2.3	57,267	54,852
Property, plant and equipment	2.2, 2.3	26,552	26,148
Investments in associates and joint ventures	5.5	4,671	3,764
Receivables	1.5	1,073	1,502
Tax assets	6.2	1,905	1,658
Total non-current assets		**91,468**	**87,924**
Current assets			
Inventories	1.2.1	5,391	4,613
Trade receivables	1.5	5,715	3,740
Tax receivables		146	202
Other receivables	1.5	2,683	2,760
Prepayments		929	768
Cash and cash equivalents	4.4.2	8,344	8,093
Total current assets		**23,208**	**20,176**
Assets held for sale		62	-
Total assets		**114,738**	**108,100**

DKK million	Section	31 Dec. 2021	31 Dec. 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	4.3.1	499	500
Reserves		-37,817	-40,824
Retained earnings		69,841	69,139
Equity, shareholder in Carlsberg Breweries A/S		**32,523**	**28,815**
Non-controlling interests		4,815	4,054
Total equity		**37,338**	**32,869**
Non-current liabilities			
Borrowings	4.2, 4.4.1	22,755	29,291
Retirement benefit obligations	7.4	2,319	2,903
Tax liabilities	6.2	5,663	5,602
Provisions	3.2	2,441	3,306
Other liabilities	3.3	449	5,196
Total non-current liabilities		**33,627**	**46,298**
Current liabilities			
Borrowings	4.2, 4.4.1	6,176	968
Trade payables		20,668	16,850
Deposits on returnable packaging materials	1.2.2	1,504	1,276
Provisions	3.2	895	1,239
Tax payables		1,344	920
Other liabilities	3.3	13,186	7,680
Total current liabilities		**43,773**	**28,933**
Total liabilities		**77,400**	**75,231**
Total equity and liabilities		**114,738**	**108,100**

STATEMENT OF CHANGES IN EQUITY

DKK million	Section	Shareholder in Carlsberg Breweries A/S							
2021		Share capital	Currency translation	Hedging reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January		**500**	**-40,215**	**-609**	**-40,824**	**69,139**	**28,815**	**4,054**	**32,869**
Consolidated profit		**-**	**-**	**-**	**-**	**6,813**	**6,813**	**1,163**	**7,976**
Other comprehensive income	4.3.3	**-**	**2,891**	**116**	**3,007**	**584**	**3,591**	**83**	**3,674**
Total comprehensive income for the year		**-**	**2,891**	**116**	**3,007**	**7,397**	**10,404**	**1,246**	**11,650**
Capital reduction	4.3.1	-1	-	-	-	-3,999	-4,000	-	-4,000
Refund to parent company for exercise of share-based payments		-	-	-	-	-136	-136	-	-136
Change in expected future refunds for exercise of share-based payments		-	-	-	-	-268	-268	-	-268
Share-based payments	7.3	-	-	-	-	68	68	-	68
Dividend paid to the shareholder	4.3.2	-	-	-	-	-3,260	-3,260	-499	-3,759
Non-controlling interests		-	-	-	-	957	957	-16	941
Acquisition of entities	5.3	-	-	-	-	-57	-57	131	74
Deconsolidation of entities	5.3	-	-	-	-	-	-	-101	-101
Total changes in equity		**-1**	**2,891**	**116**	**3,007**	**702**	**3,708**	**761**	**4,469**
Equity at 31 December		**499**	**-37,324**	**-493**	**-37,817**	**69,841**	**32,523**	**4,815**	**37,338**

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**

STATEMENT OF CASH FLOWS

DKK million	Section	2021	2020
Operating profit before special items		10,870	9,718
Depreciation, amortisation and impairment losses	2.3	4,595	4,376
Operating profit before depreciation, amortisation and impairment losses		**15,465**	**14,094**
Other non-cash items		-303	-515
Change in trade working capital		798	1,340
Change in other working capital		244	-1,132
Restructuring costs paid		-372	-529
Interest etc. received		119	108
Interest etc. paid		-1,032	-520
Income tax paid		-2,042	-1,980
Cash flow from operating activities	1.4	**12,877**	**10,866**
Acquisition of property, plant and equipment and intangible assets		-4,215	-4,386
Disposal of property, plant and equipment and intangible assets		271	221
Change in on-trade loans	1.4	148	339
Total operational investments		**-3,796**	**-3,826**
Free operating cash flow		**9,081**	**7,040**
Acquisition and disposal of subsidiaries, net	5.2	-635	-2,409
Acquisition and disposal of associates and joint ventures, net	5.2	-52	8
Acquisition and disposal of financial investments, net		1	1
Change in financial receivables		-188	42
Dividends received		291	317
Total financial investments		**-583**	**-2,041**
Cash flow from investing activities		**-4,379**	**-5,867**
Free cash flow		**8,498**	**4,999**
Shareholder in Carlsberg Breweries A/S	4.3.2	-7,260	-5,704
Non-controlling interests	4.3.2	-550	-877
External financing	4.4.1	-760	4,829
Cash flow from financing activities		**-8,570**	**-1,752**
Net cash flow		**-72**	**3,247**
Cash and cash equivalents at 1 January		7,958	5,149
Foreign exchange adjustment of cash and cash equivalents		458	-438
Cash and cash equivalents at 31 December	4.4.2	**8,344**	**7,958**

Cash and cash equivalents are reported less bank overdrafts.

SECTION 1

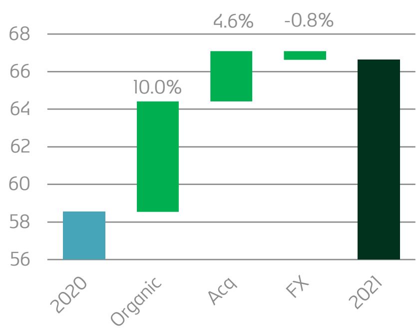
OPERATING ACTIVITIES

66.6bn

REVENUE (DKK)

Revenue increased by 13.8% to DKK 66,634m (2020: DKK 58,541m). Revenue was positively impacted by the recovery of the on-trade in some markets due to fewer restrictions in 2021 than in 2020 and solid growth of premium products. The acquisition impact related mainly to the acquisition of Marston's brewing activities in the UK in October 2020. The small negative currency impact was due to adverse currency movements across Central & Eastern Europe and certain markets in Asia, partly offset by a strengthening of primarily the Chinese, Norwegian, British and Swedish currencies.

REVENUE DEVELOPMENT (%)



47.0%

GROSS MARGIN

The gross margin declined by 140bp to 47.0% due to acquisitions, higher cost of goods sold, particularly in Central & Eastern Europe, and a negative country mix.

10.9bn

OPERATING PROFIT (DKK)

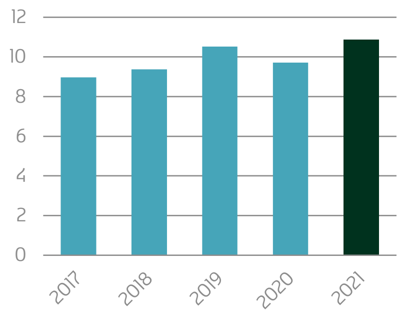
Operating expenses increased by 10.8%, mainly impacted by higher marketing and administrative expenses. The latter was the result of higher accruals related to variable pay, and the impact of acquisitions, currencies and certain one-off provisions. Operating expenses as a percentage of revenue declined by 90bp.

Operating profit before depreciation, amortisation and impairment losses (EBITDA) increased by 9.7% to DKK 15,465m. The EBITDA margin declined by 90bp to 23.2% due to acquisitions.

Group operating profit grew by 11.9% to DKK 10,870m, driven by strong growth in Asia and Western Europe, while operating profit declined in Central & Eastern Europe due to a negative currency impact.

The operating margin declined by 30bp to 16.3% due to the margin-dilutive impact of Marston's brewing activities.

OPERATING PROFIT DEVELOPMENT (DKKbn)



6.8bn

NET PROFIT (DKK)

Special items, net, amounted to DKK -333m (2020: DKK -244m), impacted by reversal of provisions made in purchase price allocations in prior years, offset by impairment and write-downs. Special items are detailed in section 3.1.

Financial items, net, amounted to DKK -379m (2020: DKK -403m). Excluding currency gains and losses, financial items, net, amounted to DKK -313m (2020: DKK 542m), positively impacted by the reversal of the previous write-down of the loan to our partner in Carlsberg South Asia Pte Ltd ("CSAPL"). Financial items are detailed in section 4.1.

Tax totalled DKK -2,182m (2020: DKK -2,240m). The effective tax rate declined by 320bp to 21.5%, impacted by non-taxable gains in special items and lower net tax provisions. Tax is detailed in section 6.1.

Consolidated profit was DKK 7,976m (2020: DKK 6,831m). The Carlsberg Breweries Group's share of the consolidated profit was DKK 6,813m (2020: DKK 6,053m).

Non-controlling interests were DKK 1,163m (2020: DKK 778m), positively impacted by strong growth for Carlsberg Chongqing Breweries Group in China, the reversal of provisions made in purchase price allocations in Asia and the inclusion of Carlsberg Marston's Brewing Company in the UK.

12.9bn

OPERATING CASH FLOW (DKK)

Cash flow from operating activities amounted to DKK 12,877m (2020: DKK 10,866m).

The change in trade working capital was DKK +798m (2020: DKK +1,340m), mainly due to strong cash management discipline and higher trade payables. Average trade working capital to revenue for the year was -18.4%, on par with 2020 (-18.6%).

The change in other working capital was DKK +244m (2020: DKK -1,132m), mainly impacted by VAT, bonus accruals and provisions.

Restructuring costs paid amounted to DKK -372m (2020: DKK -529m). Net interest etc. paid amounted to DKK -913m (2020: DKK -412m). The increase was mainly due to the settlement of financial instruments and provisions. Corporation tax paid was DKK -2,042m (2020: DKK -1,980m).

8.5bn

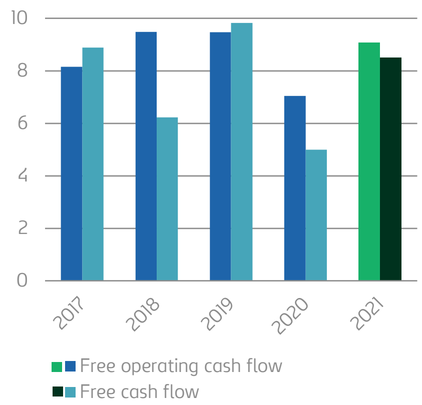
FREE CASH FLOW (DKK)

Free cash flow amounted to DKK 8,498m (2020: DKK 4,999m), while free operating cash flow amounted to DKK 9,081m (2020: DKK 7,040m).

Operational investments totalled DKK -3,796m (2020: DKK -3,826m). Acquisition of property, plant and equipment and intangible assets (CapEx) amounted to DKK -4,215m (2020: DKK -4,386m). Excluding the purchase of the Brooklyn brand rights in 2020, operational investments increased by DKK 633m.

Total financial investments amounted to DKK -583m (2020: DKK -2,041m), impacted by deferred considerations related to the acquisition of Marston's brewing activities and the deconsolidation of the business in Nepal (see section 5.2).

FREE CASH FLOW (DKKbn)



SECTION 1.1

SEGMENTATION OF OPERATIONS

CHANGES TO SEGMENTATION

The Group's regional structure was changed effective 1 January 2021, in order to optimise regional management and ensure a better balance between the European regions.

Entities in the Baltic and Balkan countries, Greece and Italy as well as Carlsberg Export & License moved from the Western Europe region to Eastern Europe, now renamed Central & Eastern Europe. The disclosure in the Annual Report follows the new regional segmentation as was used in the internal reporting to the Executive Committee throughout 2021.

REVENUE

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

In 2021, total revenue was positively impacted by volume growth, revenue/hl growth and the acquisitions of Marston's brewing activities in the UK and Wernesgrüner Brewery in Germany.

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

Segmentation of income statement

DKK million

2021	Western Europe	Asia	Central & Eastern Europe	Not allocated	Carlsberg Breweries Group, total
Revenue	**30,501**	**19,459**	**16,665**	**9**	**66,634**
Total cost	-26,295	-14,653	-13,747	-1,328	-56,023
Share of profit after tax of associates and joint ventures	195	49	14	1	259
Operating profit before special items	**4,401**	**4,855**	**2,932**	**-1,318**	**10,870**
Special items, net					-333
Financial items, net					-379
Profit before tax					**10,158**
Income tax					-2,182
Consolidated profit					**7,976**
Operating margin	14.4%	24.9%	17.6%		16.3%
2020*					
Revenue	**25,875**	**16,959**	**15,682**	**25**	**58,541**
Total cost	-22,143	-13,057	-12,713	-1,208	-49,121
Share of profit after tax of associates and joint ventures	194	89	15	-	298
Operating profit before special items	**3,926**	**3,991**	**2,984**	**-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	15.2%	23.5%	19.0%		16.6%

* 2020 figures have been restated to reflect the new regional segmentation.

Revenue by category

DKK million	2021	2020
Beer revenue	52,240	46,230
Other beverages	13,554	11,494
Other revenue	840	817
Total revenue	**66,634**	**58,541**

Revenue and excise duties

DKK million	2021	2020
Revenue, including excise duties	93,235	83,182
Excise duties	-26,601	-24,641
Revenue	**66,634**	**58,541**

Not allocated revenue, DKK 9m (2020: DKK 25m), consisted of DKK 894m (2020: DKK 1,112m) in revenue and DKK -885m (2020: DKK -1,087m) from eliminations of sales between the geographical segments.

SECTION 1.1 (CONTINUED)

SEGMENTATION OF OPERATIONS

Geographical allocation of revenue

DKK million	2021	2020
Denmark (Carlsberg Breweries A/S domicile)	3,897	3,512
China	11,946	9,858
Russia	6,537	6,405
Other countries	44,254	38,766
Total	**66,634**	**58,541**

OPERATING PROFIT BEFORE SPECIAL ITEMS

Not allocated operating profit before special items, DKK -1,318m (2020: DKK -1,183m), related to central costs not managed by the regions, including costs of developing branding activities to support the strategic initiatives and general costs of centralised functions as well as various eliminations of DKK 82m (2020: DKK 62m).

Group operating profit grew by 11.9%, supported by growth in all three regions. Organically operating profit grew by 12.4%.

VOLUMES

The organic growth in total volumes was a result of growth in all three regions. Reported volume growth was positively impacted by Western Europe, with the acquisitions of Marston's brewery activities in the UK and Wernesgrüner Brewery in Germany having a full-year impact in 2021.

NON-CONTROLLING INTERESTS

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

OPERATING MARGIN

The operating margin declined to 16.3% compared to 16.6% in 2020. The decline was due to the margin-dilutive impact of Marston's brewing activities, which were severely impacted by extensive on-trade restrictions. Excluding the acquisition impact, the operating margin increased to 16.9%.

Group financial performance

		Change				Change
Volumes (million hl)	**2020**	**Organic**	**Acq., net**	**FX**	**2021**	**Reported**
Beer	110.1	6.4%	2.2%	-	119.6	8.6%
Non-beer	20.0	12.9%	0.0%	-	22.6	12.9%
Total volume	**130.1**	**7.4%**	**1.9%**	**-**	**142.2**	**9.3%**
DKK million						
Revenue	58,541	10.0%	4.6%	-0.8%	66,634	13.8%
Operating profit before special items	9,718	12.4%	0.4%	-0.9%	10,870	11.9%
Operating margin (%)	16.6				16.3	-30bp

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.

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

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

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

Variable consideration

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

Discounts comprise off-invoice discounts, volume- and activity-related discounts, including specific promotion prices offered, and other discounts. Furthermore, discounts include the difference between the present value and the nominal amount of on-trade loans to customers, cf. section 1.5.

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, such as 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.

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

Reported figures

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

The net acquisition effect is calculated as the effect of acquisitions and divestments, including any share obtained from an increase/decrease in ownership of associates 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 increased by 17% compared with 2020 and was affected by the organic increase in volumes across all regions and higher input costs. Cost of sales per hl increased by approximately 7% compared with 2020.

Cost of sales

DKK million	2021	2020
Cost of materials	20,328	17,830
Direct staff costs	1,386	1,297
Amortisation and depreciation	2,948	2,704
Indirect production overheads	4,288	4,062
Purchased finished goods and other costs	6,357	4,287
Total	**35,307**	**30,180**

Inventories increased by 17% compared with 2020, mainly impacted by an increase in raw materials and finished goods, primarily in Asia because of stocking prior to the Chinese New Year and currency appreciation.

Inventories

DKK million	2021	2020
Raw materials	2,311	2,072
Work in progress	333	295
Finished goods	2,747	2,246
Total	**5,391**	**4,613**

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

As the underlying markets for the specified categories vary, so does the way in which they are hedged against price increases.

Hedging of raw material price risk

DKK million

	Sensitivity assuming 100% efficiency				Time of maturity
2021	Change	Effect on OCI	Tonnes purchased	Average price (DKK)	2022
Aluminium	+20%	313	85,440	15,741	85,440
2020	Change	Effect on OCI	Tonnes purchased	Average price (DKK)	2021
Aluminium	+10%	80	66,323	11,132	66,323

The most common form of hedging is fixed-price purchase agreements with suppliers in local currencies.

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

A significant part of the Group's malt (barley) exposure for 2021 had therefore been hedged through fixed-price purchase agreements established in 2020. Likewise, the majority of the exposure for 2022 was hedged in 2021.

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

In 2021, the aluminium price risk was hedged using derivative financial instruments or fixed prices via the suppliers to the Group applying the same hedge percentages as are applied for malt (barley) purchases. The same has been done for 2022. The fair values of the derivative financial instruments are specified in section 4.8.

For sugar, rolling forward hedges are used, with suppliers fixing prices linked to official indices, for example NY11. As for malt (barley) and aluminium, the majority of the 2021 sugar exposure had been hedged in 2020. Likewise, the majority of the exposure for 2022 was hedged in 2021.

Other main commodities, such as PET (plastic) and paper, are not hedged financially nor via suppliers fixing prices.

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

ACCOUNTING POLICIES

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

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.

SECTION 1.2 (CONTINUED)

OPERATING EXPENSES, INVENTORIES AND DEPOSIT LIABILITIES

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

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

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

1.2.2 DEPOSITS ON RETURNABLE PACKAGING MATERIALS

Deposits on returnable packaging materials amounted to DKK 1,504m (2020: DKK 1,276m). The capitalised value of returnable packaging materials was DKK 1,867m (2020: DKK 1,791m).

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

Marketing expenses increased as a result of higher marketing investments. Distribution expenses per hl were flat but increased overall due to acquisitions. Total marketing, sales and distribution expenses increased by 9%.

Sales and distribution expenses

DKK million	2021	2020
Marketing expenses	4,980	4,390
Sales expenses	5,162	5,101
Distribution expenses	6,587	5,882
Total	**16,729**	**15,373**

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.

Other operating activities, net

DKK million	2021	2020
Gains and losses on disposal of property, plant and equipment and intangible assets, net	93	53
On-trade loans, net	58	-204
Real estate, net	17	19
Research centres, net	-106	-106
Other, net	31	84
Total	**93**	**-154**

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

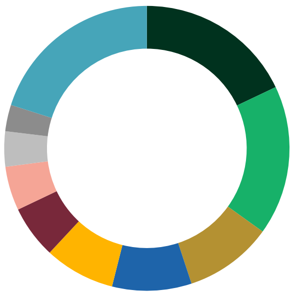
FOREIGN EXCHANGE RISK RELATED TO EARNINGS

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.

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

REVENUE BY CURRENCY (%)

2021 (2020)



TRANSACTION RISKS ON PURCHASES AND SALES

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

Western Europe

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

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

Asia

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

Central & Eastern Europe

Baltika Breweries and some of the other markets in the region 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 in the region due to the significant cost of hedging these currencies over a longer period of time. For 2021 and 2022, the Group has chosen to hedge a portion of Baltika Breweries' and Carlsberg Ukraine's expenses in USD and EUR. The volatility of the currencies will continue to affect operating profit measured in both DKK and local currencies. Furthermore, some of the entities in Central & Eastern Europe hold intercompany deposits in EUR and USD. The revaluation of these is recognised in financial items and not designated as cash flow hedges.

TRANSLATION RISK

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

The single largest translation impact in respect of operating profit in 2021 was LAK due to the 10.6% depreciation of the currency compared with 2020. Looking into 2022, the largest exposure in terms of operating profit and currency volatility is CNY, while RUB remains the single largest exposure on translation of net investments in foreign entities.

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

Impact on operating profit

Developments in exchange rates between DKK and the functional currencies had a negative impact of 0.75% on operating profit measured in DKK.

Entities in	Functional currency	Change in average FX rate 2020 to 2021
The eurozone	EUR	-0.23%
China	CNY	2.60%
Russia	RUB	-6.50%
Norway	NOK	5.30%
United Kingdom	GBP	3.60%
Switzerland	CHF	-1.30%
Sweden	SEK	2.90%
Laos	LAK	-10.60%

SECTION 1.4

CASH FLOW FROM OPERATING ACTIVITIES

The change in trade working capital amounted to DKK 798m (2020: DKK 1,340m), mainly due to strong cash management discipline and higher trade payables.

Average trade working capital to revenue for the year was -18.4% (2020: -18.6%).

Other specifications of cash flow from operating activities

DKK million	Section	2021	2020
Other non-cash items			
Share of profit after tax of associates and joint ventures	5.5	-259	-298
Gain on disposal of property, plant and equipment and intangible assets, net	2.3	-93	-53
Share-based payments		68	34
Transfer of long-term medical insurance obligation	7.4	-	-199
Other items		-19	1
Total		**-303**	**-515**
Trade working capital			
Inventories		-648	-1
Trade receivables		-1,866	1,481
Trade payables, duties payable and deposits on returnable packaging materials		3,312	-140
Total		**798**	**1,340**
Other working capital			
Other receivables		-500	279
Other payables		949	-712
Retirement benefit obligations and other liabilities related to operating profit before special items		-201	-559
Unrealised foreign exchange gains/losses		-4	-140
Total		**244**	**-1,132**
On-trade loans			
Loans provided		-356	-464
Repayments		340	353
Amortisation of on-trade loans		164	450
Total		**148**	**339**

Other working capital increased by DKK 244m (2020: decrease of DKK 1,132m), impacted by VAT, accruals for variable pay and provisions.

The change in on-trade loans amounted to DKK 148m (2020: DKK 339m).

Restructuring costs paid amounted to DKK -372m (2020: DKK -529m), 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 -913m (2020: DKK -412m). The increase was largely due to settlement of derivative financial instruments.

Income tax paid amounted to DKK -2,042m (2020: DKK -1,980m).

Cash flow from disposal of property, plant and equipment and intangible assets was DKK 271m (2020: DKK 221m).

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

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

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

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

ACCOUNTING POLICIES

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

SECTION 1.5

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. Of the total non-current receivables, DKK 159m (2020: DKK 257m) falls due more than five years from the reporting date.

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

ON-TRADE LOANS

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

The average effective interest rate on loans to the on-trade was 3.2% (2020: 3.2%). The interest income is recognised in other operating activities.

On-trade loans recognised in other operating activities, net

DKK million	2021	2020
Interest and amortisation of on-trade loans	49	50
Losses and write-downs on on-trade loans	9	-254
On-trade loans, net	**58**	**-204**

OTHER RECEIVABLES

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

The distribution of receivables broken down by country is affected by market-specific changes in payment patterns. For receivables from sale of goods and services, the distribution is furthermore impacted by the amounts of receivables sold. The overall level of receivables sold in non-recourse factoring schemes was similar to the level in 2020.

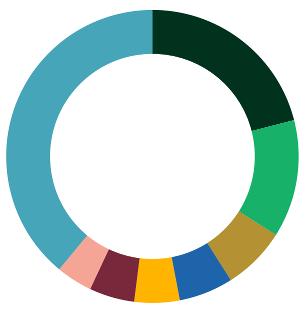
The relative share of receivables in the UK has increased following the acquisition of Marston's brewing activities.

Receivables included in the statement of financial position

2021	Non-current		Current	Total
	Receivables	Trade receivables	Other receivables	
Receivables from sales of goods and services	-	5,463	-	5,463
On-trade loans	776	252	-	1,028
Other receivables	297	-	2,683	2,980
Total	**1,073**	**5,715**	**2,683**	**9,471**
2020				
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**

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

2021 (2020)



UK 21% (10%)
Russia 13% (14%)
Finland 7% (0%)
Sweden 6% (10%)
France 5% (6%)
Poland 5% (5%)
Ukraine 4% (4%)
Other 39% (51%)

ON-TRADE LOANS
(BROKEN DOWN BY COUNTRY)

2021 (2020)

Germany 26% (23%)
France 24% (27%)
Switzerland 23% (24%)
UK 17% (18%)
Sweden 10% (8%)

SECTION 1.5 (CONTINUED)

TRADE RECEIVABLES AND ON-TRADE LOANS

1.5.1 CREDIT RISK

In 2021, receivables not past due amounted to 81% (2020: 75%) of total gross receivables. The past-due share of gross loans to on-trade customers was 31% (2020: 51%).

Total accumulated allowances for impairment losses on trade loans were DKK 464m (2020: DKK 499m).

The share of trade receivables that is past-due decreased from 23% to 15%.

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

Throughout the year and continuing into 2022, the COVID-19 pandemic continued to impact many of our markets, and market volatility and uncertainty remained high. In many markets our customers were impacted by lockdowns, full or partial closure of on-trade businesses, restrictions on cultural and sporting activities, social distancing and other government restrictions in response to the COVID-19 pandemic.

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 with the reopening of markets.

The increased credit risk on both trade receivables and on-trade loans seen across markets is expected to continue into 2022.

Credit risk on receivables

DKK million

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

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	419	-313	106	75%
Other receivables	**3,251**	**-316**	**2,935**	
Total	**9,015**	**-1,514**	**7,501**	

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 considered appropriate for the customer, taking into account the current local market conditions.

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

In assessing credit risk, management analyses the need for impairment of trade receivables and on-trade loans due to customers' inability to pay. Many customers are currently dependent on government subsidies and support in the form of extended payment terms. The increased credit risk is expected to continue into 2022.

At year-end 2021, management continued to assess the lifetime expected credit losses for both trade receivables and on-trade loans in line with 2020.

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 extended government payment terms cease. The portfolios are based on on-trade and off-trade customers, and on-trade receivables and loans.

Development in impairment losses on receivables

DKK million 2021	Receivables from sales of goods and services	On-trade loans	Other receivables	Total	2020 Total
Impairment at 1 January	-699	-499	-316	-1,514	-1,011
Impairment losses recognised	-145	-127	-24	-296	-663
Realised impairment losses	63	29	1	93	13
Reversed impairment losses	174	136	328	638	154
Transfer	7	6	-	13	-91
Foreign exchange adjustments	-17	-9	-13	-39	84
Impairment at 31 December	**-617**	**-464**	**-24**	**-1,105**	**-1,514**

On-trade loans carry a higher risk than trade receivables and are concentrated in a few markets. The local entities manage and control these loans in accordance with Group guidelines.

The credit risk on on-trade loans can be reduced by means of collateral and pledges of on-trade movables (equipment in bars, cafés etc.). The fair value of the pledged on-trade movables cannot be estimated reliably but is assessed to be insignificant, as they cannot readily be reused.

ACCOUNTING POLICIES

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

For on-trade loans, any difference between the present value and the nominal amount at inception is treated as a prepaid discount to the customer, and the discount is recognised in the income statement in accordance with the terms of the agreement.

The market interest rate is used as the discount rate, corresponding to the money market rate based on the maturity of the loan with the addition of a risk premium. The effective interest on these loans is recognised in other operating activities, net. The amortisation of the difference between the discount rate and the effective interest rate is included as a discount in revenue.

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

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

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

SECTION 2

ASSET BASE AND RETURNS

114.7bn
TOTAL ASSETS (DKK)

Total assets increased by DKK 6.6bn due to higher intangible assets, inventories, and trade and other receivables.

Intangible assets amounted to DKK 57.3bn at 31 December 2021 (2020: DKK 54.9bn), mainly due to the acquisition of Marston's brewing activities and Wernesgrüner as well as the appreciation of the Russian and Chinese currencies, partly offset by the impairment of brands in Russia.

Property, plant and equipment totalled DKK 26.6bn (2020: DKK 26.1bn), impacted by currency movements and capital expenditure offset by disposals and depreciation.

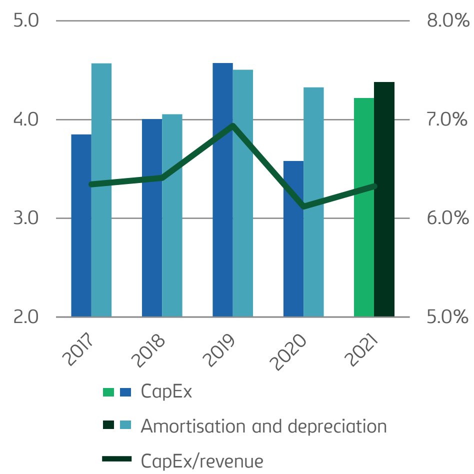
Current assets increased by DKK 3.0bn to DKK 23.2bn, mainly due to increases in receivables and inventories of DKK 2.7bn, which primarily related to higher sales and stocking in Asia prior to the Chinese New Year. Other receivables mainly increased due to fair value adjustment linked to higher aluminium prices and the reversal of the write-down of the loan to our partner in Carlsberg South Asia Pte Ltd ("CSAPL"). Cash and cash equivalents amounted to DKK 8.3bn (2020: DKK 8.1bn).

ASSET BASE (DKKbn)

4.2bn
CAPEX (DKK)

CapEx increased by DKK 633m (excluding the Brooklyn brand rights in 2020). Asia and Central & Eastern Europe were the main contributors, with higher investments in sales CapEx, returnable glass and can production capacity. CapEx to amortisation and depreciation, excluding right-of-use assets, increased to 100% (2020: 90%).

CAPEX* AND AMORTISATION/ DEPRECIATION (DKKbn)

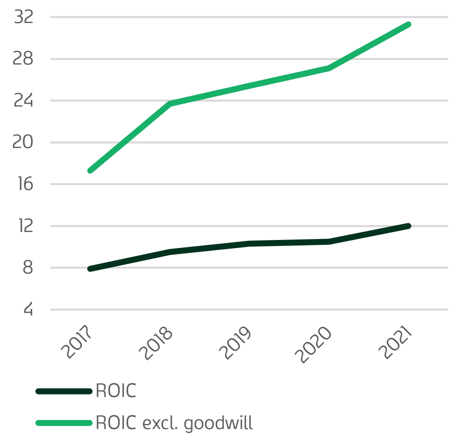


* Excluding the purchase of the Brooklyn brand rights in 2020.

12.0%
ROIC

Return on invested capital (ROIC) increased by 150bp to 12.0%, positively impacted by higher profits and a lower effective tax rate. ROIC excluding goodwill improved by 420bp to 31.3%.

RETURN ON INVESTED CAPITAL (% 12-MONTH AVERAGE)



SECTION 2.1

SEGMENTATION OF ASSETS AND RETURNS

At year-end, invested capital was up by DKK 1.7bn, primarily due to the appreciation of the Russian rouble and the Chinese renminbi.

The acquisitions of Marston's brewing activities and the Brooklyn brand rights had a full-year impact on average invested capital, whereas in 2020 they had only been included for two months and six months respectively. The acquisition of Wernesgrüner, completed at 1 January 2021, also had a full-year impact on average invested capital.

The impact on total assets from fluctuations in the Russian rouble was an increase of DKK 2.1bn (2020: decrease of DKK 7.5bn).

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

DKK million	2021	2020
Total assets	114,738	108,100
Less		
Tax assets	-1,905	-1,658
Financial receivables, hedging instruments and receivables sold	931	716
Cash and cash equivalents	-8,344	-8,093
Assets included	**105,420**	**99,065**
Trade payables	-20,668	-16,850
Deposits on returnable packaging materials	-1,504	-1,276
Provisions, excl. restructurings	-3,158	-4,271
Other liabilities, excl. hedging instruments	-8,828	-7,113
Liabilities offset	**-34,158**	**-29,510**
Invested capital	**71,262**	**69,555**
Goodwill	-44,278	-42,286
Invested capital excl. goodwill	**26,984**	**27,269**
Invested capital, average	**70,740**	**69,614**

Geographical allocation of non-current assets

DKK million	2021	2020
Denmark (Carlsberg Breweries A/S' domicile)	4,024	4,106
Russia	19,185	18,509
China	15,876	14,320
Other countries	49,405	47,829
Total	**88,490**	**84,764**

DKK million

2021	Western Europe	Asia	Central & Eastern Europe	Not allocated	Carlsberg Breweries Group, total
Invested capital	27,822	19,424	24,620	-604	71,262
Invested capital excl. goodwill	12,317	4,281	10,990	-604	26,984
Investments in associates	2,271	2,363	32	5	4,671
Acquisition of property, plant and equipment and intangible assets	1,340	1,800	884	191	4,215
Amortisation and depreciation	1,796	1,488	993	102	4,379
Impairment losses, net	17	460	947	-	1,424
Return on invested capital (ROIC)	11.7%	21.3%	9.5%	-	12.0%
ROIC excl. goodwill	24.5%	153.4%	26.9%	-	31.3%
2020*					
Invested capital	28,232	17,225	24,092	6	69,555
Invested capital excl. goodwill	13,142	2,682	11,439	6	27,269
Investments in associates	2,273	1,462	26	3	3,764
Acquisition of property, plant and equipment and intangible assets	1,258	1,395	768	965	4,386
Amortisation and depreciation	1,712	1,499	1,037	78	4,326
Impairment losses, net	44	292	16	5	357
Return on invested capital (ROIC)	11.1%	16.5%	9.4%	-	10.5%
ROIC excl. goodwill	23.3%	88.8%	25.7%	-	27.1%

* 2020 figures have been restated to reflect the new regional segmentation.

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 2021 and 2020, the impairment tests of goodwill and brands with indefinite useful life were prepared at the reporting date.

In 2021, recognised impairment losses related to the Baltika brand and other brands in Russia of DKK 950m, land use rights in China of DKK 107m, returnable packaging in certain markets in Asia of DKK 130m, other items of property, plant and equipment of DKK 21m and investments in associates in China of DKK 244m.

In 2021, the Group recognised reversal of impairment losses of DKK 28m (2020: DKK 2m) in China and Russia relating to assets that had been brought back into production or reclassified as held for sale.

In 2020, impairment losses of DKK 231m relating to brands and DKK 124m relating to property, plant and equipment were recognised. The impairment loss on brands was mainly related to the Angkor brand and was due to a significant decline in volumes caused by COVID-19 restrictions in the market.

Impairment of brands in Russia

Russia experienced a significant increase in interest rates in the second half of 2021, as well as in inflation, which negatively impacted the costs of raw and packaging materials. These increases are expected to continue in 2022. Russia is a highly price-competitive market, which has a negative impact on profit margins. The effect of these trends has been incorporated into the impairment test, resulting in the recoverable amount of the Baltika brand and other Russian brands being lower than their carrying amount. The brands were therefore written down by a total of DKK 950m, DKK 900m of which was allocated to the Baltika brand.

The Baltika brand has been written down on two previous occasions, in total by DKK 8,800m. The previous write-downs followed detailed reviews of expected future growth after prolonged challenging macroeconomic conditions, changes in the market environment such as PET downsizing and various changes in consumer trends. These factors were also incorporated into the recent impairment test.

Other impairments

In certain markets in Asia, the return systems are not legally required but have been developed as a result of market practice in the beverage industry. The collection rates for returnable packaging declined significantly in 2021 compared with previous years as a result of COVID-19 restrictions, leading to the recognition of impairment losses of DKK 130m for lost returnable packaging.

In China, disputes relating to the management of Tibet Lhasa Brewery resulted in significant disturbances to the operation of the company, which negatively impacted financial performance. The investment was therefore written down to its recoverable amount, resulting in the recognition of an impairment loss of DKK 244m. The disputes further meant that the Group lost its significant influence in the company, and the residual investment was therefore reclassified to financial investments.

Impact of COVID-19

The COVID-19 pandemic and its 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. The beverage industry has proven resilient to the pandemic. To some extent, volumes initially shifted from the on-trade to the off-trade, then back to the on-trade again in 2021 when restrictions were eased, and earnings returned to approximately the same level as before the pandemic.

At the end of the second year of the pandemic, we again experienced an increase in restrictions as the weather got colder and infection levels rose. This will have a negative impact on, in particular, the on-trade channel, which has been included in the forecasts used for impairment testing. We expect volumes and earnings to recover to pre-pandemic levels again. The expected timing and speed of the recovery differ from market to market depending on the extent of government restrictions and on consumer behaviour.

In the assessment of impairment of non-current assets, no additional indications of impairment as a result of the COVID-19 pandemic, have been identified.

Significant amounts of goodwill and brands

Goodwill and brands with indefinite useful life relating to the acquisitions of Baltika Breweries, Kronenbourg and Chongqing Brewery Group each accounted for 10% or more of the total carrying amount of goodwill

Impairment of brands and other non-current assets

DKK million	2021	2020
Intangible assets		
Brands	950	231
Other intangible assets	107	4
Total	**1,057**	**235**
Property, plant and equipment		
Plant, machinery and equipment	151	124
Reversal of impairment losses	-28	-2
Total	**123**	**122**
Investments in associates		
Impairment of investment in associates	244	-
Total impairment losses	**1,424**	**357**
Of which recognised in special items, cf. section 3.1	1,208	307

SECTION 2.2 (CONTINUED)

IMPAIRMENT

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.

Baltika brand is individually material and specified in section 2.2.3.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Identification of cash-generating units
The Group's management structure reflects the geographical segments, cf. section 1.1, 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 Wernesgrüner Brewery in 2021 and of Marston's brewing activities in 2020. The goodwill recognised on these acquisitions was allocated to the Western Europe CGU.

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

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

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. Since 2020, the assessment has 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 significant 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 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, investments in 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.

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

2.2.2 IMPAIRMENT TEST OF GOODWILL

The carrying amount of goodwill allocated to groups of CGUs

DKK million	2021	2020
Western Europe	15,505	15,090
Asia	15,143	14,543
Central & Eastern Europe	13,630	12,653
Total	**44,278**	**42,286**

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.

SECTION 2.2 (CONTINUED)

IMPAIRMENT

Key assumptions

2021	Forecast cash flow growth	Terminal period growth	Pre-tax discount rate
Western Europe	1%	0.0%	1.7%
Asia	-10%	1.0%	4.5%
Central & Eastern Europe	-24%	3.5%	6.3%

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

NEW SEGMENTATION FOR 2021

The Group's segmentation and regional split of entities changed as of 1 January 2021, and the allocation of CGUs changed accordingly, with goodwill amounting to DKK 1,974m reallocated from Western Europe to Central & Eastern Europe. This change did not have any impact on the conclusion of the impairment test of goodwill.

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, although the on-trade channel tends to be impacted by a weak macroeconomic environment. In the past two years, the on-trade suffered as a result of restrictions and lockdowns across markets due to COVID-19. The COVID-19 situation in 2022 remains uncertain, but it is not expected to have a significant long-term effect.

In 2022, the focus will be on mitigating the significant cost inflation, in particular for raw materials and packaging, but also other costs, such as logistics and wages. Mitigating actions include value management, channel and product mix, price increases and continuous cost focus as part of the Group's Funding the Journey culture.

ASIA

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.

In 2020 and 2021, all markets in the region were impacted by COVID-19 at different times and to different extents. The impact from COVID-19 in China was most profound in the first quarter of 2020, since which the market has seen only temporary and limited restrictions, enabling our business to deliver strong performance.

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

CENTRAL & EASTERN EUROPE

Central & Eastern Europe consists of the large Russian and Ukrainian beer markets, a number of smaller markets across southern and eastern Europe and our export & licence business.

The competitive environment is generally characterised by the presence of large global players. In certain markets, such as Russia, a large number of small, local players take up a significant part of the beer market.

Due to the larger on-trade exposure, the southern part of the region was more exposed to COVID-19 in 2020 and 2021 than the eastern part of the region, including Russia, where the on-trade exposure is limited.

The competitive environment has been challenging in recent years, particularly in Russia, which has seen an increased focus on volume. This has led to Carlsberg increasing its promotional activities to drive volumes, leading to a downward pressure on margins.

Management expects the current macroeconomic situation and developments to continue in the short term, with inflation increasing compared with the levels in 2021, driven by significant increases in cost of sales and logistics. In the medium to long term, interest rates are expected to decline and stabilise at a level lower than currently observed in the market, although still with some volatility.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Goodwill

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

SECTION 2.2 (CONTINUED)

IMPAIRMENT

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 2022-2024 represents management's best estimate of the impact from the COVID-19 pandemic.

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

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

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

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

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

The budget and target plan processes consider events or circumstances that are relevant to reliably 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

The development in 2021 showed that the beverage industry is generally resilient and confirmed the expectation from 2020 when volumes and earnings returned to levels close to pre-pandemic levels after the introduction of vaccines and the lifting of government restrictions. The decline in earnings experienced in 2020 due to COVID-19 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 development in the cost of raw and packaging materials and operating investments.

Volumes

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

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

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

Sales prices

The level of market premiumisation and the locally available portfolio are key drivers in identifying price points. When planning pricing structures, factors including price elasticity, local competition and inflation expectations can also impact the projection.

Increases in excise duties are typically passed on to the customers immediately or with a delay of no more than a few months. Since the increase is a pass-through cost and thereby compensated for by price increases at the time of implementation, it does not impact the long-term sales price growth and is therefore not taken into consideration in the projections unless circumstances specifically indicate otherwise. No changes to duties in the short or medium term are taken into consideration unless there is a firm plan to introduce changes.

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 scheduled production line overhauls and improvements to existing equipment. Non-contracted capacity increases and new equipment are not included.

Terminal period growth

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

Key assumptions

2021	Average revenue growth	Terminal period growth	Pre-tax discount rate	Post-tax discount rate
Baltika brand	4.8%	4.0%	12.5%	10.9%

2.2.3 IMPAIRMENT TEST OF BRANDS

Brands with indefinite useful life

DKK million	2021	2020
Baltika brand	4,410	4,876
Significant brands	**4,410**	**4,876**

In 2021, significant brands represented 38% (2020: 43%) of the total carrying amount of brands with indefinite useful life. The decrease in the carrying amount of the Baltika brand compared with 2020 is mainly due to the impairment loss recognised in 2021, partly offset by the appreciation of RUB.

Other brands comprise a total of 21 brands (2020: 19 brands) that individually are not material compared with the total carrying amount.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Brands

The test for impairment of brands is performed using the relief from royalty method and is based on the expected future cash flows generated from the royalty payments avoided for the individual brand for the next 20 years and projections for subsequent years.

The risk-free cash flows are discounted using a rate reflecting the risk-free interest rate with the addition

SECTION 2.2 (CONTINUED)
IMPAIRMENT

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, having existed for decades or even centuries. The beer industry is characterised as being very stable with consistent consumer demand and a predictable competitive environment, and is expected to be profitable for the foreseeable future. Control of the brands is legally established and enforceable indefinitely.

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

Revenue growth
At the time of acquisition of any individual brand, a revenue growth curve is forecast based on a long-term strategic view of the risk and opportunities relevant to the brand. The curve is 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.

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 2021, the drop in revenue experienced in 2020 due to the COVID-19 pandemic was, as expected, largely regained in most markets, following the introduction of vaccines and the lifting of governmental restrictions.

The risk of future revenue decline from infection levels potentially increasing again has been carefully considered. The beverage industry has generally proved to be resilient, and the decline in revenue experienced in 2020 is not expected to have a long-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 5-15 years.

Royalty rate
Royalties generated by a brand are based on the Group's total income from the brand and are earned globally, i.e., the income is also earned outside the CGU that owns the brand. If external licence agreements for the brand already exist, the market terms of such agreements are taken into consideration when assessing the royalty rate that the brand is expected to generate in a transaction with independent parties. The royalty rate is based on the actual market position of the individual brand in the global, regional and local markets, and assumes a 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 2021, the royalty rate for one of the brands was adjusted downwards from 13% to 11% due to increased competition in the market and declining margins.

Royalty rates

International, premium and speciality beers	3.5-11.0%
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 Central & 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.

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.

In 2021, the observable interest rate and inflation in Russia increased to levels significantly higher than the long-term expectations of key international financial institutions. This high risk-free interest rate has been

SECTION 2.2 (CONTINUED)

IMPAIRMENT

applied in the impairment test for 2021 to discount the forecast period cash flows.

To avoid applying an incorrect real interest rate in perpetuity, the discount rate used to calculate the net present value of the cash flows in the terminal period has been adjusted to incorporate an interest rate that is equal to the expected rate of inflation with the addition of an expected long-term real interest rate of 2.8%. The expected real interest rate was estimated based on market observations from the preceding five years.

Interest rates applied in Western Europe

Western Europe is experiencing very low interest rates, in several countries 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, with the addition of the expected long-term real interest rate.

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 increased but remained low at the end of 2021. 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.

The goodwill allocated to Central & 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 Central & Eastern Europe, resulting in the recoverable amount significantly exceeding the carrying amount.

BRANDS

Following the impairment losses recognised in 2021 and 2020, a reasonably possible negative change in a key assumption would cause the carrying amount of the brands that were written down 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 various geographies within each brand, makes individual sensitivity testing on the basis of these two assumptions highly impractical. Instead, sensitivity testing is performed for the overall revenue growth rate, in both the forecast period and the terminal period.

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. However, 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 2021. As a result, even a small negative change in the key assumptions could lead to further impairment.

At 31 December 2021, the carrying amount of the Baltika brand was DKK 4,410m (2020: DKK 4,876m).

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	-0.2	-0.6

SECTION 2.2 (CONTINUED)

IMPAIRMENT

Changes in the market dynamics and the challenging competitive environment in Russia 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 (2.8%), 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 0.6bn, and a 1 percentage point decrease in the terminal growth rate would result in a reduction in the recoverable amount of DKK 0.2bn.

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 1.1bn.

Other brands in Russia

Other brands in Russia were written down to their recoverable amount at the end of 2021. As a result, even a small negative change in the key assumptions could lead to further impairment.

Following the impairment, the carrying amount of the brands amounts to DKK 646m (2020: DKK 639m). Any increase in the risk-free interest rate or decrease in the terminal growth rate would therefore result in a minor additional impairment.

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 93m (2020: 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.

SECTION 2.3

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

SECTION 2.3 (CONTINUED)

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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
Disposal of entities	-	-	-	-	-	-3	-	-3	-3
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
Disposal of entities	-	-	-	-	-	-1	-	-1	-1
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

Property, plant and equipment under construction amounted to DKK 1,187m (2020: DKK 1,102m). Property, plant and equipment under construction are recognised in plant and machinery until completion.

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

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

RIGHT-OF-USE ASSETS

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

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

Lease expenses recognised in the income statement, relating to short-term leases and leases of low-value assets, amounted to DKK 33m (2020: 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, cash flow 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 132m (2020: DKK 41m).

! 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 assessable, 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	2021	2020	2021	2020
Cost of sales	158	38	2,790	2,659
Sales and distribution expenses	64	70	1,242	1,257
Administrative expenses	109	78	233	274
Special items	950	235	14	72
Total	**1,281**	**421**	**4,279**	**4,262**

Gain/loss on disposal of assets

DKK million	2021	2020
Gain on disposal of property, plant and equipment and intangible assets	119	76
Loss on disposal of property, plant and equipment and intangible assets	-26	-23
Total	**93**	**53**

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, PROVISIONS AND OTHER LIABILITIES

1,349m

SPECIAL ITEMS, INCOME (DKK)

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

-1,682m

SPECIAL ITEMS, EXPENSES (DKK)

Impacted by write-downs of the Baltika brand and other brands in Russia, and restructuring costs across the Group.

SECTION 3.1

SPECIAL ITEMS

SPECIAL ITEMS, INCOME

In 2021, the Group recognised reversal of provisions made in purchase price allocations in prior years in Asia (DKK 1,238m), reversal of a restructuring provision in the UK (DKK 52m), reversal of impairment losses in Denmark (DKK 6m) and revaluation gain on retained investment in Gorkha Brewery (DKK 38m).

The provisions recognised in purchase price allocations mainly related to indirect taxes and certain employee obligations, and were either settled during the year or are no longer expected to be realised.

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

SPECIAL ITEMS, EXPENSES

In 2021, write-downs were recognised of the Baltika brand and other brands in Russia, totalling DKK 950m, as a result of reduced profit margins and increased interest rates.

Special items

DKK million	2021	2020
Special items, income		
Reversal of provisions made in purchase price allocations in prior years	1,238	586
Reversal of provisions made in prior years	52	-
Reversal of impairment losses	6	-
Gain on disposal of entities and assets	15	62
Revaluation gain on deconsolidation of Gorkha Brewery, cf. section 5.2	38	-
Disposal of property, plant and equipment previously impaired, including adjustments to gains and reversal of provisions made in prior years	-	52
Total	**1,349**	**700**
Special items, expenses		
Impairment of brands, cf. section 2.2	-950	-231
Impairment of investment of associates	-244	-
Impairment of property, plant and equipment	-	-74
Reset, other restructurings and provisions	-270	-416
Adjustment of contingent consideration	-129	-29
COVID-19, personal protective and donations	-41	-69
Costs related to acquisition of entities, etc.	-48	-125
Total	**-1,682**	**-944**
Special items, net	**-333**	**-244**

In China, Tibet Lhasa Brewery was negatively impacted by disturbances in the operation and management of the company, resulting in the recognition of an impairment loss of DKK 244m.

Fair value adjustments of the contingent consideration for the acquisition of Marston's brewing activities, completed in 2020, amounted to DKK 129m (2020: DKK 50m). The consideration was settled in cash in December 2021.

SECTION 3.1 (CONTINUED)

SPECIAL ITEMS

During 2021 and 2020, the Group continued to carry out various restructuring projects as part of the ongoing focus on cost and efficiency initiatives. The COVID-19 pandemic did not have as severe a negative impact in 2021 as in 2020 due to reduced government impositions in the form of lockdowns, travel restrictions, limited social gatherings and social distancing. Restructuring costs and costs of personal protective equipment, donations etc. incurred as a result of the response to the COVID-19 impact on the entire business therefore declined in 2021.

In 2020 The Group was also impacted by write-downs of a brand and brewing equipment mainly in Cambodia, as a consequence of COVID-19 restrictions in the market.

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 or cease of consolidation of that entity, and transaction costs in a business combination.

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

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

Impact of special items on operating profit

DKK million	2021	2020
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	-1,016	-111
Sales and distribution expenses	-46	-305
Administrative expenses	-229	-307
Other operating income	1,317	668
Other operating expenses	-359	-189
Special items, net	**-333**	**-244**

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 2021 of DKK 178m primarily relates to Reset for the future, which was initiated in 2020. Other restructurings mainly related to Kronenbourg, Carlsberg Deutschland, Carlsberg Sverige and certain local supply companies.

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

Other provisions of DKK 2,702m related to ongoing disputes and lawsuits, profit sharing in France, provisions made in connection with purchase price allocations (PPA provisions) and employee obligations other than retirement benefits.

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

Total provisions have been impacted by reversal of provisions made in purchase price allocations in previous years in Asia, as described in section 3.1, and reversal of legal provisions, real estate and other contractual obligations that did not materialise, in total DKK 1,912m.

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 risk-free interest rate is used as the discount rate.

Restructuring costs are recognised when a detailed, formal restructuring plan has been announced to those affected no later than at the reporting date. On acquisition of entities, restructuring provisions in the acquiree are only included in the opening balance when the acquiree has a restructuring liability at the acquisition date.

A provision for onerous contracts is recognised when the benefits expected to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

SECTION 3.3
OTHER LIABILITIES

Other liabilities

DKK million	2021	2020
Classified as:		
Non-current liabilities	449	5,196
Current liabilities	13,186	7,680
Total	**13,635**	**12,876**
Other liabilities by origin:		
Staff costs payable	3,096	1,919
Excise duties and VAT payable	2,935	2,644
Other payables	2,819	2,503
Deferred income	531	630
Contingent consideration	4,254	5,180
Total other liabilities	**13,635**	**12,876**

Provisions

DKK million	Restructurings	Onerous contracts	Other	Total
Provisions at 1 January 2021	274	476	3,795	4,545
Acquisition of entities	-	-	22	22
Additional provisions recognised	151	1	790	942
Used during the year	-187	-35	-370	-592
Reversal of unused provisions	-68	-	-1,748	-1,816
Transfers	-	-24	-8	-32
Discounting	-	4	16	20
Foreign exchange adjustments etc.	8	34	205	247
Provisions at 31 December 2021	**178**	**456**	**2,702**	**3,336**
Classified as:				
Non-current provisions	28	428	1,985	2,441
Current provisions	150	28	717	895
Total	**178**	**456**	**2,702**	**3,336**

For further description of contingent consideration cf. section 5.4.

ACCOUNTING POLICIES

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

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

SECTION 3.4

CONTINGENT LIABILITIES

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

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

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

In October 2021, the French competition authority issued a Statement of Objection against a large number of FMCG companies, including three entities in the Group – Kronenbourg SAS, Carlsberg Breweries A/S and Carlsberg A/S – for alleged participation in an anti-competitive agreement not to advertise the non-use of bisphenol A (BPA), Carlsberg does not agree with the French competition authority and is currently preparing its defence in the case, which is to be submitted in the first quarter of 2022.

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

In September 2021, Carlsberg India received the final decision from the Competition Commission of India in the case relating to the dawn raid conducted in 2018. The decision stated that Carlsberg India had engaged in price coordination (partly facilitated through a trade association), supply restrictions and market sharing, in breach of India's competition law. As a result of the infringement, the Competition Commission of India imposed a fine of approx. INR 1.21bn (approx. DKK 96m) on Carlsberg India. It was decided not to appeal the decision and the fine was paid in December.

For some time, the Group has had serious disagreements with its partner in Carlsberg South Asia Pte Ltd ("CSAPL"), the parent company holding 100% and 90% of the shares in the businesses in India and Nepal respectively. Several of the disagreements pertaining to the Shareholders' Agreement between Carlsberg and its partner, including the partner's right to exercise the put option, have been referred to arbitration in Singapore. The arbitration award is expected in H1 2022.

Disputes always carry some inherent risk. The arbitration could have various outcomes, including either party being awarded a call option to buy out the other shareholder. If the tribunal were to find that Carlsberg has materially breached the Shareholders' Agreement, although this is not expected, the partner could become entitled to a call option to acquire the Group's 67% shareholding in CSAPL. From the time that such a call option were to become exercisable, the Group would, for accounting purposes, be required to cease consolidation of CSAPL, including Carlsberg India, and derecognise the investment in Gorkha Brewery, Nepal. If such a call option were to be awarded but not exercised, the Group would resume consolidation when the option lapsed. Conversely, if the award is in favour of the Group, it could result in the acquisition of the 33% shareholding in CSAPL held by the partner. A party being awarded a call option that is subsequently exercised could lead to that party taking possession of 100% of the shares in CSAPL, resulting in the other party no longer being involved in the business of CSAPL.

In addition to the ongoing disputes with our partner in CSAPL regarding India and Nepal, there is also a dispute with the local 10% shareholder in Gorkha Brewery, a related party to the Group's 33% partner in CSAPL. Please refer to section 5.2.

Although no final rulings have been made in the ongoing cases, there is still significant risk associated with 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 224m (2020: DKK 304m). No guarantees have been 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

18.8bn

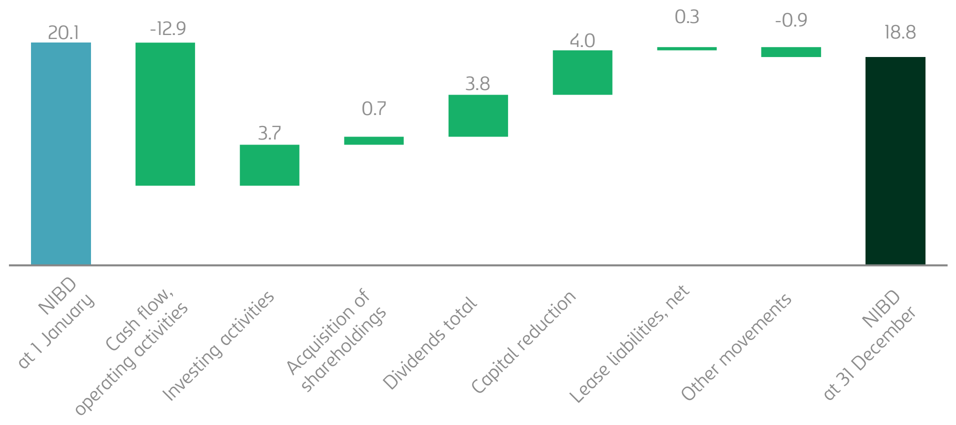
NET INTEREST-BEARING DEBT (DKK)

At 31 December 2021, gross financial debt amounted to DKK 28.9bn (2020: DKK 30.3bn). Net interest-bearing debt was DKK 18.8bn, a decrease of DKK 1.3bn versus year-end 2020.

The liquidity position remained strong due to the free cash flow of DKK 8.5bn and access to a EUR 2bn credit facility, which was unutilised at 31 December 2021.

The leverage ratio, measured as net interest-bearing debt to EBITDA, was 1.22x at year-end (2020: 1.43x).

CHANGES IN NET INTEREST-BEARING DEBT (DKKbn)



37.3bn

EQUITY (DKK)

Equity amounted to DKK 37.3bn at 31 December 2021 (2020: DKK 32.9bn), DKK 32.5bn of which was attributable to shareholder in Carlsberg Breweries A/S and DKK 4.8bn to non-controlling interests.

The change in equity of DKK 4.4bn was mainly the result of consolidated profit of DKK 8.0bn, foreign exchange gains on translation of DKK 3.3bn, the dividend payout of DKK 3.8bn and the capital reduction of DKK 4.0bn.

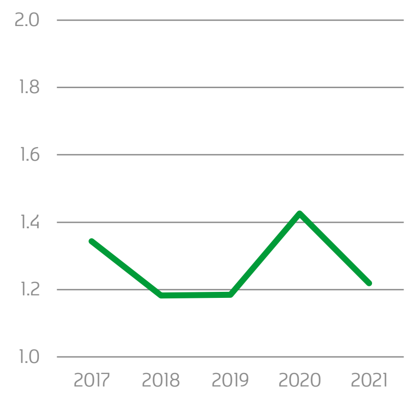
The non-controlling interests were impacted by the acquisition of 60% of Marston's brewing activities in the UK, the simultaneous disposal of 40% of the Group's subsidiaries in the UK, and the deconsolidation of the Group's Nepalese business cf. section 5.3.

-379m

NET FINANCIAL ITEMS (DKK)

Financial items, net, amounted to DKK -379m against DKK -403m in 2020. Excluding currency gains and fair value adjustments, financial items, net, amounted to DKK -313m (2020: DKK -542m), positively impacted by reversal of impairments of financial assets in previous years, partly offset by interests on tax cases in certain markets.

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.

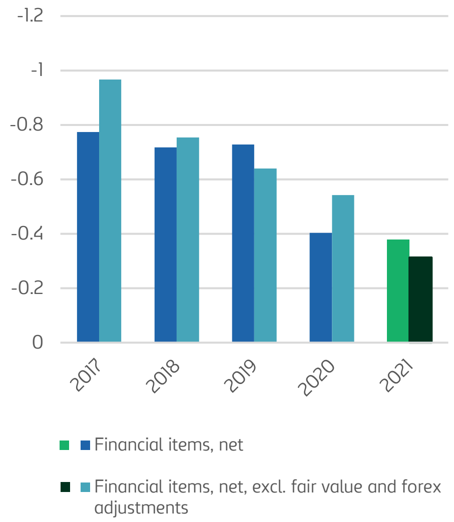
Foreign exchange gains, net, include fair value adjustments of hedges and foreign exchange losses. The fair value adjustment of hedges not designated as hedging instruments amounted to DKK -23m (2020: DKK -49m), cf. section 4.8.

Foreign exchange losses amounted to DKK -43m (2020: DKK 188m).

Of the net change in fair value of cash flow hedges transferred to the income statement, DKK 216m (2020: DKK -30m) has been included in revenue and cost of sales and DKK 4m (2020: DKK -2m) in other financial items.

Reversal of impairment of financial assets includes DKK 328m relating to a loan made to the partner in CSAPL. Please refer to section 5.4 for a more detailed description.

FINANCIAL ITEMS, NET (DKKbn)



Financial items recognised in the income statement

DKK million	2021	2020
Financial income		
Interest income	102	92
Foreign exchange gains, net	-	139
Interest on plan assets, defined benefit plans	99	114
Reversal of impairment of financial assets	363	5
Other	19	28
Total	**583**	**378**
Financial expenses		
Interest expenses	-500	-484
Capitalised financial expenses	4	1
Foreign exchange losses, net	-66	-
Interest cost on obligations, defined benefit plans	-138	-160
Interest expenses, lease liabilities	-13	-12
Other	-249	-126
Total	**-962**	**-781**
Financial items, net, recognised in the income statement	**-379**	**-403**
Financial items excluding foreign exchange, net	-313	-542

Financial items recognised in other comprehensive income

DKK million	2021	2020
Foreign exchange adjustments of foreign entities		
Foreign currency translation of foreign entities	3,124	-7,640
Recycling of cumulative translation differences of entities disposed of, deconsolidated or discontinued from use of equity-method	183	-
Total	**3,307**	**-7,640**
Value adjustments of hedging instruments		
Change in fair value of effective portion of cash flow hedges	361	103
Change in fair value of cash flow hedges transferred to the income statement	-220	32
Change in fair value of net investment hedges	-464	63
Total	**-323**	**198**
Financial items, net, recognised in other comprehensive income	**2,984**	**-7,442**

SECTION 4.2

NET INTEREST-BEARING DEBT

Of the gross financial debt at year-end, 79% (2020: 97%) was non-current, i.e. with maturity of more than one year.

Gross financial debt amounted to DKK 28.9bn at 31 December 2021 (2020: DKK 30.3bn). Non-current borrowings totalled DKK 22.7bn (2020: DKK 29.3bn) and current borrowings totalled DKK 6.2bn (2020: DKK 1.0bn). The decrease in non-current borrowings is mainly due to a EUR 750m EMTN bond, which matures in November 2022 and is thus classified as current borrowings. The Group continuously assesses the maturity of its debt.

The difference of DKK 10.1bn 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	2021	2020
Non-current borrowings	22,755	29,291
Current borrowings	6,176	968
Gross financial debt	**28,931**	**30,259**
Cash and cash equivalents	-8,344	-8,093
Net financial debt	**20,587**	**22,166**
Loans to associates, interest-bearing portion	-238	-209
On-trade loans, net	-578	-618
Other receivables, net	-928	-1,247
Net interest-bearing debt	**18,843**	**20,092**

SECTION 4.3

CAPITAL STRUCTURE

4.3.1 CAPITAL STRUCTURE

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

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

Optimisation of share capital is carried out by managing the listed shares of Carlsberg A/S, including payment of dividends and share 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 2021, the share capital was reduced from DKK 500m to DKK 499m through a cash distribution of nominally DKK 1m at a (per 100) price of DKK 400,000, corresponding to a total cash distribution to Carlsberg A/S of DKK 4.0bn. This cash distribution reflects the share buy-backs that weres carried out by Carlsberg A/S over a 12 month period from 5 February 2021.

The Group targets a leverage ratio below 2.0x. At the end of 2021, the leverage ratio was 1.22x (2020: 1.43x).

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

Share capital

	Total share capital	
	Shares of DKK 1,000	Nominal value, DKK '000
1 January 2020	501,000	501,000
Capital reduction	-1,000	-1,000
31 December 2020	**500,000**	**500,000**
Capital reduction	-1,000	-1,000
31 December 2021	**499,000**	**499,000**

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.

SECTION 4.3 (CONTINUED)

CAPITAL STRUCTURE

4.3.2 EQUITY

DIVIDENDS

The Group proposes a dividend of DKK 6,986 per share (2020: DKK 6,520 per share), amounting to DKK 3,486m (2020: DKK 3,260m). The proposed dividend has been included in retained earnings at 31 December 2021. Dividends paid out to the shareholder in Carlsberg Breweries A/S do not impact taxable income in Carlsberg Breweries A/S.

Dividends to non-controlling interests of DKK 51m were declared and reported as payable at 31 December 2020 and paid, in addition to dividends of DKK 499m declared in 2021.

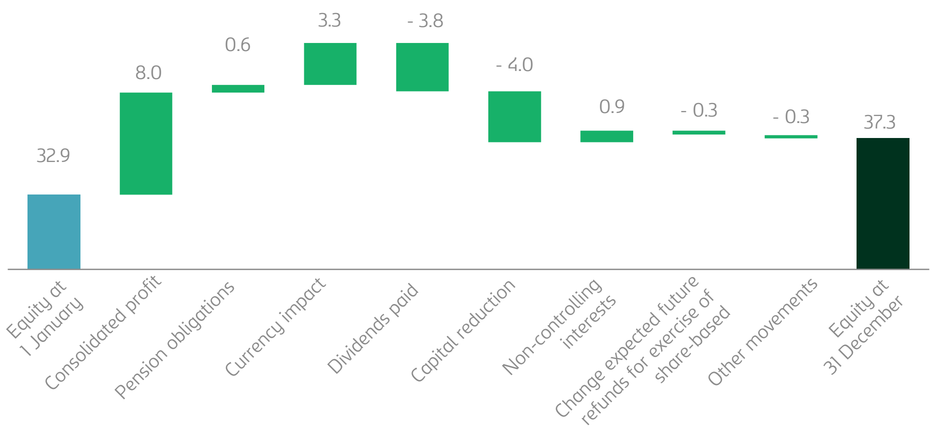
Transactions with the shareholder in Carlsberg Breweries A/S

DKK million	2021	2020
Dividend paid to the shareholder	-3,260	-3,204
Capital reduction	-4,000	-2,500
Total	**-7,260**	**-5,704**

Transactions with non-controlling interests

DKK million	2021	2020
Dividends paid to NCI	-550	-796
Consideration paid for acquisition of NCI	-	-81
Total	**-550**	**-877**

EQUITY (DKKbn)



ACCOUNTING POLICIES

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

SECTION 4.3 (CONTINUED)

CAPITAL STRUCTURE

4.3.3 OTHER COMPREHENSIVE INCOME

Other comprehensive income has mainly been impacted by a positive foreign exchange adjustment from the appreciation of RUB and CNY.

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 (pages 20-22).

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, unless they are designated as cash flow hedges.

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

DKK million

2021	Currency translation	Hedging reserves	Retained earnings	Total	Non-controlling interests	Other comprehensive income
Foreign exchange adjustments of foreign entities	3,253	-	-	3,253	54	3,307
Value adjustments of hedging instruments	-464	134	-	-330	7	-323
Retirement benefit obligations	-	-	579	579	-2	577
Share of other comprehensive income in associates and joint ventures	-	-	10	10	-	10
Income tax	102	-18	-66	18	4	22
Total	**2,891**	**116**	**523**	**3,530**	**63**	**3,593**

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
Share of other comprehensive income in associates and joint ventures	-	-	-4	-4	-	-4
Income tax	-18	-20	-9	-47	-17	-64
Total	**-7,285**	**112**	**-13**	**-7,186**	**-322**	**-7,508**

SECTION 4.4

BORROWINGS AND CASH

4.4.1 BORROWINGS

Non-current funding decreased by DKK 6.5bn, primarily due to a EUR 750m EMTN bond, which matures in November 2022 and is thus classified as current (2020: non-current) and repayment of non-current bank borrowing.

Gross financial debt

DKK million	2021	2020
Non-current		
Issued bonds	21,452	27,002
Bank borrowings	78	922
Lease liabilities	1,012	1,080
Other borrowings	213	287
Total	**22,755**	**29,291**
Current		
Issued bonds	5,573	-
Bank borrowings	116	472
Lease liabilities	375	398
Other borrowings	112	98
Total	**6,176**	**968**
Total borrowings	**28,931**	**30,259**
Fair value	29,584	31,741

An overview of issued bonds is provided in section 4.5.

Changes in gross financial debt

DKK million	2021	2020
Gross financial debt at 1 January	**30,259**	**25,000**
Proceeds from issue of bonds	-	7,402
Instalments on and proceeds from borrowings, non-current	-1,001	1,155
Instalments on and proceeds from borrowings, current	-216	-3,264
Instalments on lease liabilities	-405	-414
Instalments on and proceeds from intercompany loans and borrowings	853	-230
Other	9	180
Financing	**-760**	**4,829**
Change in bank overdrafts	-135	62
Increase in lease liabilities, net	275	190
Intercompany loans	-853	237
Other, including foreign exchange adjustments and amortisation	145	-59
Gross financial debt at 31 December	**28,931**	**30,259**

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 735m at 31 December 2021 (2020: DKK 353m). The average interest rate on these deposits was 3.3% (2020: 2.7%).

Total cash at bank amounted to DKK 8,344m in 2021 (2020: DKK 8,093m).

Cash and cash equivalents

DKK million	2021	2020
Cash and cash equivalents	8,344	8,093
Bank overdrafts	-	-135
Cash and cash equivalents, net	**8,344**	**7,958**

ASSESSMENT OF CREDIT RISK

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

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

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

EXPOSURE TO CREDIT RISK

The carrying amount of DKK 8,344m (2020: DKK 8,093m) 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, 105% of the net financial debt consisted of fixed-rate borrowings with interest rates fixed for more than one year (2020: 127%), and on a gross basis 75% was at fixed interest rates (2020: 93%). As 123% of the Group's net debt is in EUR, and EUR accounts for the predominant part of the fixed-rate borrowing, the interest rate exposure primarily relates to the development in the interest rates for EUR.

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 2021, the duration was 4.8 years (2020: 5.6 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 11m (2020: DKK 60m). The impact relates to a relatively high percentage of the gross debt being at fixed interest rates and the high portion of cash. The analysis assumes a parallel shift in the relevant yield curves.

If the market interest rate had been 1 percentage point higher at the reporting date, it would have led to a financial gain of DKK 997m (2020: DKK 1,242m), 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 2020. The Group did not enter into any new interest rate swaps in 2021 or 2020.

Net financial debt by currency

DKK million

2021	Gross financial debt	Net financial debt	Fixed	Gross financial debt, fixed %	Net financial debt, fixed %
EUR	27,598	25,227	21,515	78%	85%
CNY	35	-2,777	-	-	0%
USD	413	42	194	47%	462%
Other	885	-1,905	9	1%	0%
Total	**28,931**	**20,587**	**21,718**	**75%**	**105%**
2020					
EUR	27,731	24,298	27,084	98%	111%
CNY	864	-1,058	826	96%	-78%
USD	495	119	268	54%	225%
Other	1,169	-1,193	-	0%	-
Total	**30,259**	**22,166**	**28,178**	**93%**	**127%**

[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

2021	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 year	5,573	Fair value
EUR 500m maturing 6 September 2023	Fixed	0.7%	1-2 years	3,708	Fair value
EUR 1,000m maturing 28 May 2024	Fixed	2.6%	2-3 years	7,411	Fair value
EUR 500m maturing 30 June 2027	Fixed	0.5%	> 5 years	3,694	Fair value
EUR 400m maturing 1 July 2029	Fixed	1.0%	> 5 years	2,945	Fair value
EUR 500m maturing 11 March 2030	Fixed	0.7%	> 5 years	3,694	Fair value
Total issued bonds		**1.6%**		**27,025**	
Total issued bonds 2020		**1.6%**		**27,002**	
Bank borrowings and other borrowings					
Floating-rate	Floating	1.0%	< 1 year	1,637	Cash flow
Fixed-rate	Fixed	0.9%	> 1 year	269	Fair value
Total bank borrowings and other borrowings				**1,906**	
Total bank borrowings and other borrowings 2020				**3,257**	

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 (FX forwards and NDF) and designates these as net investment hedges. This mainly applies to net investments in CHF, CNY, MYR and NOK. The basis for hedging is reviewed at least once a year, and the two parameters, risk reduction and cost, are balanced. 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. All forward exchange contracts mature during 2022. At 31 December 2021, 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 2021 amounted to DKK -232m (2020: DKK 84m). The closing balance in the equity reserve for currency translation of hedges of net investments amounted to DKK -1,885m (2020: DKK -1,611m). Positive fair values of derivatives are recognised as other receivables and negative values as other liabilities.

4.6.3 EXCHANGE RATE RISK ON CASH AND BORROWINGS

The main principle for funding of subsidiaries is that cash and borrowings should be denominated in local currency or hedged to local currency to avoid foreign exchange risk. However, in some Group entities, 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 Central & 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.

Currency profile of borrowings

Before and after derivative financial instruments

DKK million

2021	Original principal	Effect of swap	After swap
CHF	116	1,347	1,463
NOK	181	589	770
EUR	27,598	-6,285	21,313
USD	413	1,541	1,954
CNY	35	1,921	1,956
Other	588	887	1,475
Total	**28,931**	**-**	**28,931**
Total 2020	**30,259**	**-**	**30,259**

Net investment hedges

	Hedging of investment, amount in local currency		Intra-group loans, amount in local currency		Other comprehensive income (DKK)		Average hedged rate		2021 Fair value of derivatives		2020 Fair value of derivatives	
DKK million	2021	2020	2021	2020	2021	2020	2021	2020	Asset	Liability	Asset	Liability
CNY	-2,407	-2,407	-	-	-323	-29	0.9611	0.9176	-	-109	56	-
MYR	-292	-292	-	-	-28	24	1.5022	1.5145	-	-15	8	-
HKD	-	-	-1,079	-1,077	-64	53	-	-	-	-	-	-
CHF	-263	-305	-	-	-80	6	6.8305	6.9925	-	-93	40	-
NOK	-1,300	-1,300	3,000	3,000	62	-105	0.7269	0.6874	-	-19	-	-19
SEK	-	-	2,717	3,773	-42	86	-	-	-	-	-	-
Other	-175	-135	67	47	11	28	-	-	4	-	-	-1
Total					**-464**	**63**			**4**	**-236**	**104**	**-20**

SECTION 4.6 (CONTINUED)

FOREIGN EXCHANGE RISK RELATED TO NET INVESTMENTS AND FINANCING ACTIVITIES

4.6.4 IMPACT ON FINANCIAL STATEMENTS AND SENSITIVITY ANALYSIS

IMPACT ON INCOME STATEMENT

For the impact of currency on operating profit and financial items, please refer to sections 1.3 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 2021, net interest-bearing debt decreased by DKK 366m (2020: increased by DKK 297m) 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 2021 illustrated in the tables. The calculations have been made based on items in the statement of financial position at 31 December 2021.

Income statement

The hypothetical impact ignores the fact that the subsidiaries' initial recognition of revenue, cost and debt would be similarly exposed to the exchange rate developments.

Other comprehensive income

Other comprehensive income is affected by changes in the fair value of currency derivatives designated as cash flow hedges of future purchases.

Exchange rate sensitivity - other comprehensive income

2021					2020	
DKK million	Average hedged rate	Notional amount	Change	Effect on OCI	Average hedged rate	Effect on OCI
NOK/DKK	0.7189	-773	5%	-39	0.6913	-33
SEK/DKK	0.7284	-603	5%	-30	0.7078	-33
PLN/DKK	1.6039	-521	5%	-26	1.6649	-25
CHF/DKK	6.9171	-449	5%	-22	6.9217	-23
RUB/DKK	0.0822	-1,278	10%	-128	0.0854	-14
USD/DKK	6.3627	661	5%	33	5.9934	2
Other	N/A	-240	5%	-12	N/A	-15
Total				**-224**		**-141**

Exchange rate sensitivity - income statement

2021								2020
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	-485	-934	-870	-870	5%	-43	-14
EUR/NOK	172	-769	318	-278	-278	5%	-14	-8
EUR/RUB	9	-106	68	-28	-28	10%	-3	21
EUR/CHF	140	-222	232	150	150	5%	7	10
EUR/UAH	-	-88	218	131	131	10%	13	7
Total							**-40**	**16**

								2020
2021	USD receivable	USD payable	USD cash	Gross exposure	Exposure, net of hedging	Change	Effect on P/L	Effect on P/L
USD/LAK	13	-98	150	65	65	10%	6	5
USD/KZT	-	-3	101	98	98	10%	10	14
USD/UAH	-	-1	89	89	89	10%	9	9
Total							**25**	**28**

SECTION 4.6 (CONTINUED)

FOREIGN EXCHANGE RISK RELATED TO NET INVESTMENTS AND FINANCING ACTIVITIES

APPLIED EXCHANGE RATES

The average exchange rate was calculated using the monthly exchange rates weighted according to the phasing of the revenue per currency throughout the year.

Applied exchange rates

DKK	Closing rate 2021	Closing rate 2020	Average rate 2021	Average rate 2020
Swiss franc (CHF)	7.1760	6.8521	6.8777	6.9656
Chinese yuan (CNY)	1.0296	0.9284	0.9700	0.9452
Euro (EUR)	7.4365	7.4393	7.4369	7.4539
Pound sterling (GBP)	8.8604	8.2378	8.6837	8.3838
Laotian kip (LAK)	0.0006	0.0007	0.0006	0.0007
Norwegian krone (NOK)	0.7459	0.7053	0.7323	0.6958
Polish zloty (PLN)	1.6180	1.6327	1.6310	1.6770
Russian rouble (RUB)	0.0894	0.0820	0.0855	0.0915
Swedish krona (SEK)	0.7260	0.7397	0.7330	0.7120
Ukrainian hryvnia (UAH)	0.2416	0.2142	0.2311	0.2438

SECTION 4.7

FUNDING AND LIQUIDITY RISK

Liquidity risk results from the Group's potential inability to meet the obligations associated with its financial liabilities, for example settlement of financial debt and paying suppliers.

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

The aim is to ensure effective liquidity management, which involves obtaining sufficient committed credit facilities to ensure adequate financial resources and, to some extent, tapping a range of funding sources.

DIVERSIFIED FUNDING SOURCES

The Group is diversifying its access to funding to avoid relying on one single source of funding.

The Group still has access to a committed EUR 2bn revolving credit facility (RCF) maturing in 2026 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.

At 31 December 2021, bonds accounted for 93% of the gross funding.

FUNDING STRATEGY AND REACTION TO COVID-19

Since March 2020 and the first COVID-19 lockdowns in Western Europe, the Group has maintained an increased focus on liquidity and a special effort has been made to improve cash flow forecasting, including introducing frequent short-term cash flow updates.

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

Committed credit facilities and credit resources available

DKK million

2021	Total committed loans and credit facilities	Utilised portion of credit facilities	Unutilised credit facilities	2020 Unutilised credit facilities
Current				
< 1 year	7,325	6,176	1,149	1,186
Total current committed loans and credit facilities	**7,325**	**6,176**	**1,149**	**1,186**
Non-current				
1-2 years	4,198	4,198	-	-
2-3 years	7,599	7,599	-	-
3-4 years	82	82	-	-
4-5 years	14,936	62	14,874	14,879
> 5 years	10,814	10,814	-	-
Total non-current committed loans and credit facilities	**37,629**	**22,755**	**14,874**	**14,879**
Cash and cash equivalents			8,344	8,093
Current portion of utilised credit facilities	-	-	-6,176	-968
Credit resources available (total non-current committed loans and credit facilities less net debt)			**17,042**	**22,004**

SECTION 4.7 (CONTINUED)

FUNDING AND LIQUIDITY RISK

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 2021, the Group had total credit resources available of DKK 17,042m, consisting of cash and cash equivalents of DKK 8,344m plus committed unutilised non-current credit facilities of DKK 14,874m less utilisation of current facilities of DKK 6,176m. Including current credit facilities of DKK 1,149m, total committed unutilised credit facilities amounted to DKK 16,023m.

Credit resources available decreased by DKK 5.0bn compared with 2020, primarily due to the EUR 750m EMTN bond maturing in November 2022.

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.

The Group uses cash pools for day-to-day liquidity management in most of its entities in Western Europe, as well as intra-group loans to subsidiaries. Central & Eastern Europe and Asia are less integrated in terms of cash pools, and liquidity is managed via intra-group loans. For some markets in Asia, intra-group loans are not possible, and surplus liquidity will be paid out in the form of dividends, which results in a time lag between when the cash flow is generated and when it becomes available for repayment of Group debts. The most significant cash balances related to this delay are in China.

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

The risk implied by the values reflects the one-sided scenario of cash outflows only. Trade payables and other financial liabilities originate from the financing of assets in ongoing operations, such as property, plant and equipment, and investments in working capital, for example inventories and trade receivables.

The nominal amount/contractual cash flow of gross financial debt totalled DKK 29,107m (2020: DKK 30,435m), whereas the total carrying amount was DKK 28,931m (2020: DKK 30,259m). 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 2021.

The cash flow is estimated based on the notional amount of the above-mentioned borrowings and expected interest rates at year-end 2021 and 2020. Interest on debt recognised at year-end 2021 and 2020 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 1.5% (2020: 2.5%). The decrease is due to the lower CNY-denominated borrowings at the end of the year and the interest on these borrowings being higher than the borrowings at the end of 2021.

Time to maturity for non-current borrowings

DKK million

2021	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	3,708	7,411	-	-	10,333	21,452
Bank borrowings	68	4	5	1	-	78
Lease liabilities	322	87	76	60	467	1,012
Other non-current borrowings	100	97	1	1	14	213
Total	**4,198**	**7,599**	**82**	**62**	**10,814**	**22,755**
Total 2020	**6,730**	**3,959**	**7,701**	**75**	**10,826**	**29,291**

Maturity of financial liabilities

DKK million

2021	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
Derivative financial instruments					
Derivative financial instruments, payables	428	428	-	-	315
Non-derivative financial instruments					
Gross financial debt	29,107	6,191	12,013	10,903	28,931
Interest expenses	1,134	424	562	148	N/A
Trade payables and other liabilities	22,172	22,172	-	-	22,172
Contingent liabilities	224	224	-	-	224
Contingent considerations	4,254	3,818	436	-	4,254
Non-derivative financial instruments	**56,891**	**32,829**	**13,011**	**11,051**	**-**
Financial liabilities	**57,319**	**33,257**	**13,011**	**11,051**	**-**
Financial liabilities 2020	**55,951**	**20,142**	**24,682**	**11,127**	**-**

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 payables.

The impact on other comprehensive income and the fair value of derivatives classified as cash flow hedges is presented in the cash flow hedge table.

The impact on other comprehensive income from 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.

As of 31 December 2021, 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.

Cash flow hedges

DKK million

2021	Other comprehensive income	Fair value receivables	Fair value payables	Fair value, net	Expected recognition 2022
Exchange rate instruments	-20	13	-47	-34	-34
Other instruments	161	240	-	240	240
Total	**141**	**253**	**-47**	**206**	**206**

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**

Financial derivatives not designated as hedging instruments (economic hedges)

DKK million

2021	Income statement	Fair value receivables	Fair value payables	Fair value, net
Exchange rate instruments	-27	86	-32	54
Ineffective portion of hedge	4	-	-	-
Total	**-23**	**86**	**-32**	**54**
2020				
Exchange rate instruments	-47	-	-78	-78
Ineffective portion of hedge	-2	-	-	-
Total	**-49**	**-**	**-78**	**-78**

SECTION 4.8 (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICIES

Derivative financial instruments are initially recognised at fair value on the trade date and subsequently remeasured at their fair value at the reporting date.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as one of:

- Fair value hedges of the fair value of recognised assets or liabilities
- Cash flow hedges of particular risks associated with the cash flow from forecast transactions
- Net investment hedges of currency fluctuations in subsidiaries, 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

Wernes-grüner

Acquired the German brewer Wernesgrüner and expanded the production network needed for the German business.

Marston's brewing activities

Successfully integrated Carlsberg UK and Marston's brewing activities.

Gorkha Brewery

Ceased consolidation in connection with dispute with local partner, which is currently unlawfully blocking the Group's exercise of its rights in Nepal.

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.

When the Group expands its business to new geographies, it often therefore does so in collaboration with a local partner. Such a partnership can take different legal forms and impacts the consolidated financial statements accordingly.

In addition to its activities in the beer industry, the Group operates in the soft drinks industry, an industry dominated by large global brand owners. The Group is engaged in long-term contractual partnerships to produce, distribute and sell third-party soft drink brands. In addition to granting the right to produce, the brand owners usually provide recipes and/or raw materials, while the Group has the necessary production capabilities and distribution platform.

INVESTMENT MODEL

Entering into a partnership can reduce the financial exposure and mitigate the business risks associated with entering new markets or expanding the activities in an existing market. The financial exposure, however, varies depending on the structure of the partnership. Business and financial success, and the related risks, depend on the ability of the Group and the local partner to forge a strong and aligned cooperation.

In some markets, the Group enters as a non-controlling shareholder, providing a degree of financing and contributing knowledge of the beer industry. The Group thus leaves control with the partner and recognises the investment as an associate.

Other investments are structured as joint ventures, where the Group and the local partner jointly make the operational decisions and share strategic and tactical responsibility.

More commonly, the Group structures its partnerships such that it exercises management control, usually by way of majority of the voting rights. These investments are fully consolidated subsidiaries, which are just as important as other types of partnership for success in the local markets, but mean that the Group has increased financial exposure. Investments in businesses in which the Group exercises management control often involve put and/or call options or a similar structure.

IMPACT ON FINANCIAL STATEMENTS

Investments in associates 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

SECTION 5.1 (CONTINUED)

INVESTMENT MODEL AND RISKS

part of net profits or equity is attributed to them. Instead, the dividends received by the partner from the business are classified as financial expenses for the purpose of accounting.

Common to all partnerships is the risk of disagreement and, ultimately, dissolution. Disagreements with partners on the operational management and strategic directions of partnerships may limit our ability to manage the growth and risk profile of our business. The Group continuously seeks to promote a fair and mutually beneficial development of the partnerships, which is crucial to be successful. However, in certain partnerships the partners' pursuit of goals and priorities that are different from those of the Group might result in disagreements, affecting operational and financial performance. Different goals and priorities of this kind can become more pronounced in the period when a partner has the right to exit the partnership.

A dissolution will initially impact the accounting treatment of an investment. The accounting treatment will depend on whether the Group or its partner is exiting the business. In the long term, however, the impact 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. The risk of a partnership dissolution may therefore have a negative impact on the underlying business and the financial performance recognised in the consolidated financial statements.

The Group is involved in many partnerships, one being the 67% shareholding in Carlsberg South Asia Pte Ltd. ("CSAPL"), Singapore, which is the parent company of the Group's activities in India (100%) and Nepal (90%). The company is jointly owned with a partner (33%). According to the Shareholders' Agreement, the partner has a put option to sell its shares to Carlsberg, in the put option window, which is open until late 2023, although the Group disputes the partners' right to exercise the put option. For the purpose of the consolidated financial statements, the put option is accounted for as if it had already been exercised. CSAPL and its investments in India and Nepal are therefore included in the consolidated financial statements, with no profits or equity attributed to the non-controlling shareholder. Please refer to section 5.4 for a further description of the dispute with the partner in CSAPL.

Partnerships in the soft drinks industry are based on long-term contractual agreements, and they come to an end when the contract terminates. The termination of a significant partnership with a global soft drink brand owner would have a negative impact on the Group's financial performance.

SECTION 5.2

ACQUISITIONS AND DISPOSALS

ACQUISITION OF ENTITIES

Wernesgrüner Brewery

In January 2021, Carlsberg acquired 100% of the German Wernesgrüner Brewery for a cash consideration of DKK 511m.

The purpose of the acquisition was to strengthen the Group's presence in the beer market in eastern Germany and to provide additional brewing capacity for the existing Carlsberg business in northern Germany. The calculated goodwill represents staff competences and synergies from expected optimisations of supply chain and procurement, the increase in market share and access to new customers.

The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities was completed in 2021, resulting in recognition of goodwill of DKK 267m.

DKK million	Wernesgrüner Brewery	Marston's brewing activities
Consideration paid	511	1,868
Fair value of contingent consideration	-	61
Fair value of non-controlling shareholding in Carlsberg UK transferred to the seller	-	588
Foreign exchange translation difference	-	12
Total cost of acquisition	**511**	**2,529**
Acquired assets and liabilities		
Goodwill	267	1,760
Brands and other intangibles assets	123	514
Property, plant and equipment	193	881
Inventories	21	228
Trade and other receivables	16	478
Assets held for sale	-	96
Cash and cash equivalents	14	-
Borrowings and lease liabilities	-1	-212
Provisions and retirement benefit obligations	-17	-17
Deferred tax liabilities	-61	-111
Trade payables	-15	-302
Other payables	-29	-273
Acquired assets and liabilities	**511**	**3,042**
Non-controlling interests	-	-513
Acquired assets and liabilities attributable to shareholder in Carlsberg Breweries A/S	**511**	**2,529**

SECTION 5.2 (CONTINUED)

ACQUISITIONS AND DISPOSALS

Marston's brewing activities

In October 2020, Carlsberg UK and Marston's PLC injected their respective brewing activities into a jointly owned company, Carlsberg Marston's Brewing Company Limited, with Carlsberg as the controlling shareholder with a 60% shareholding.

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 comprised 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. In 2021, net payments of contingent consideration and settlement of purchase price adjustments amounted to DKK 204m.

The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities was completed in 2021, resulting in recognition of goodwill of DKK 1,760m. The comparative figures have not been restated.

Other

In 2021, the Group completed a minor acquisition of DKK 14m.

ACQUISITION OF BRAND RIGHTS

In 2020, the Group acquired the Brooklyn brand rights in its markets for a purchase price of DKK 804m. The brand rights are recognised as an intangible asset.

DECONSOLIDATION OF ENTITIES

The local shareholder owning 10% of the shares in Gorkha Brewery, Nepal, is a related party to the Group's 33% partner in CSAPL. In addition to the ongoing disputes with our partner in CSAPL regarding India and Nepal, there is also a dispute with the local 10% shareholder in Gorkha Brewery. Contrary to the Group's legal and contractual rights, the Group's influence on the business operations in Nepal is currently being restricted through actions that hamper its right of decision-making and insight into the business. We are contesting these actions in Nepal through the local courts and anticipate that the operations and management of the Nepalese business will eventually be normalised in line with the Group's legal and contractual rights, cf. Section 3.4.

However, until its rights as majority shareholder are re-established, the Group has decided to cease full consolidation of the Nepalese business. The assets, liabilities and non-controlling interests of the company were derecognised with effect from the end of 2021. The investment was remeasured at fair value and recognised as the cost of an investment in an associate. The remeasurement to fair value less cumulative foreign exchange differences reclassified from equity to the income statement amounted to DKK 38m and was recognised in special items. The derecognition did not have a material impact on the consolidated statement of financial position.

CASH FLOW

Cash flow to acquire or dispose of shareholdings in associates and when gaining control of subsidiaries is included in financial investments, while the cash flow on acquisition of an additional shareholding in a subsidiary, i.e. acquiring non-controlling interests, is presented in financing activities.

Elements of cash consideration paid and received

DKK million	2021	2020
Consideration paid for acquisition of entities	-228	-1,908
Prepayment for acquisition of entities not completed at the reporting date	-	-501
Consideration received for disposal of entities	21	-
Cash and cash equivalents acquired/disposed of	-428	-
Acquisition and disposal of entities, net	**-635**	**-2,409**
Consideration paid for acquisition of associates	-52	-
Consideration received for disposal of associates	-	8
Acquisition and disposal of associates, net	**-52**	**8**
Consideration paid for acquisition of non-controlling interests	-	-81
Cash flow from acquisition of shareholdings, total	**-687**	**-2,482**

ACCOUNTING ESTIMATES AND JUDGEMENTS

Assessment of control

The classification of entities where Carlsberg controls less than 100% of the voting rights is based on an assessment of the contractual and operational relationship between the parties. This includes assessing the conditions in shareholder agreements, contracts etc. Consideration is also given to the extent to which each party can govern the financial and operating policies of the entity, how the operation of the entity is designed, and which party possesses the relevant knowledge and competences to operate the entity.

Another factor relevant to this assessment is the extent to which each of the parties can direct the activities and affect the returns, for example by means of rights, reserved matters or casting votes.

Purchase price allocation procedures

For acquisitions of entities, the assets, liabilities and contingent liabilities of the acquiree are recognised using the acquisition method. The most significant assets acquired generally comprise goodwill, brands, property, plant and equipment, receivables and inventories.

No active market exists for the majority of the acquired assets and liabilities, in particular in respect of acquired intangible assets. Accordingly, management makes estimates of the fair value of acquired assets, liabilities and contingent liabilities. Depending on the nature of the item, the determined fair value of an item may be associated with uncertainty and possibly adjusted subsequently.

The unallocated purchase price (positive amount) is recognised in the statement of financial position as goodwill and allocated to the Group's cash-generating units.

Brands

The value of the brands acquired and their expected useful life are assessed based on the individual brand's market position, expected long-term developments in the relevant markets and profitability.

SECTION 5.2 (CONTINUED)

ACQUISITIONS AND DISPOSALS

The estimated value includes all future cash flows associated with the brand, including the related value of customer relations etc.

Management determines the useful life based on the brand's relative local, regional and global market strength, market share, and the current and planned marketing efforts that are helping to maintain and increase its value. When the value of a well-established brand is expected to be maintained for an indefinite period in the relevant markets, and these markets are expected to be profitable for a long period, the useful life of the brand is determined to be indefinite.

Brands are measured using the relief from royalty method, under which the expected future cash flows are based on key assumptions about expected useful life, royalty rate, growth rate and the theoretical tax effect. A post-tax discount rate is used that reflects the risk-free interest rate with the addition of a risk premium associated with the particular brand. The model and assumptions applied are consistent with those used in impairment testing, and are described in further detail in section 2.2.3.

Customer agreements and portfolios

The value of acquired customer agreements and customer portfolios is assessed based on the local market and trading conditions. For most entities, there is a close relationship between brands and sales. Consumer demand for beer and other beverages drives sales, and therefore the value of a brand is closely linked to consumer demand, while there is no separate value attached to customers (shops, bars etc.), as their choice of products is driven by consumer demand. The relationship between brands and customers is carefully considered so that brands and customer agreements are not both recognised on the basis of the same underlying cash flows.

Property, plant and equipment

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

Property, plant and equipment for which there is no reliable evidence of the fair value in the market (in particular breweries, including production equipment) are valued using the depreciated replacement method.

This method is based on the replacement cost of a similar asset with similar functionality and capacity. The calculated replacement cost is then reduced to reflect functional and physical obsolescence. The expected synergies and the user-specific intentions for the expected use of assets are not included in the determination of the fair value.

Completed purchase price allocations

Management believes that the purchase prices for Wernesgrüner Brewery and Marston's brewing activities, which are accounted for in the consolidated financial statements, reflect the best estimate of the total fair value of these businesses and the proportionate value of identified assets, liabilities and contingent liabilities of the non-controlling interests, and accordingly the allocation of goodwill to controlling interests, but not to non-controlling interests.

The purchase price allocations of the identified assets, liabilities and contingent liabilities were completed within 12 months of the acquisitions. The main revaluation adjustments related to the value of brands, property, plant and equipment, and deferred tax liabilities, which mainly related to brands.

Goodwill

Goodwill was allocated to the Western Europe CGU in line with the allocation of the Group's existing German and UK business. The goodwill is not deductible for tax purposes.

Wernesgrüner Brewery

Brands

The value of brands was estimated using the Group's principles described above. A brand with a fair value of DKK 113m was recognised and classified as an intangible asset with an indefinite useful life.

Property, plant and equipment

The fair value and expected useful life of the brewery equipment and related buildings of the acquired brewery were determined with assistance from external engineering experts in the brewery industry and resulted in a positive revaluation adjustment of DKK 53m.

Financial impact of acquisition

Revenue and net profit included in the consolidated financial statements since the acquisition at 1 January 2021 were DKK 156m and DKK 7m respectively.

Marston's brewing activities

Brands

The value of the brands was estimated using the Group's principles described above. Brands with a fair value of DKK 514m were recognised and classified as intangible assets with an indefinite useful life.

Property, plant and equipment

The fair value and expected useful life of the brewery equipment and related buildings of the six acquired breweries were determined with assistance from external engineering experts in the brewery industry and resulted in a negative revaluation adjustment of DKK 209m. Draught equipment located with the on-trade customers was as per contractual agreement to be resold to a third-party service provider after the acquisition, and the equipment was therefore transferred to assets held for sale at the expected sales price, resulting in a negative revaluation adjustment of DKK 128m.

Trade loans and receivables

The fair value of the trade loans and receivables was estimated in line with the Group's principles for assessment of credit risk and recognition of impairment losses to reflect the amount that is expected to be collected. The valuation took into consideration losses in the on-trade segment due to the restrictions and lockdowns during the pandemic.

Financial impact of acquisition

The impact on revenue and net profit for 2020 from the acquisition in late October 2020 was not material. The impact on the financials had it been consolidated on 1 January 2020 is impracticable to obtain as the acquired activities were not previously a separate reporting entity.

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.

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.

SECTION 5.2 (CONTINUED)

ACQUISITIONS AND DISPOSALS

Changes in estimates of contingent purchase considerations are recognised in the income statement under special items, unless they qualify for recognition directly in equity.

Disposals and loss of control

Gains or losses on the disposal or liquidation of subsidiaries, associates and joint ventures are recognised as the difference between any 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.

The shareholding retained after the loss of control of subsidiaries is remeasured at fair value and accounted for as the fair value on initial recognition of a financial asset or the cost of an investment in an associate or joint venture. Gains or losses on the loss of control of subsidiaries are recognised as the difference between the fair value of the retained shareholding and the carrying amount of the derecognised net assets (including goodwill) at the date of loss of control and foreign exchange adjustments recognised in other comprehensive income.

SECTION 5.3

NON-CONTROLLING INTERESTS

DECONSOLIDATION OF GORKHA BREWERY

In 2021, the Group decided to cease full consolidation of Gorkha Brewery, Nepal. The assets, liabilities and non-controlling interests of the company were derecognised with effect from the end of 2021. The non-controlling interests' share of the net assets amounted to DKK -101m.

MATERIAL ASSET RESTRUCTURING IN CHINA

In December 2020, Carlsberg and Chongqing Brewery Co. completed an asset restructuring and contributed their respective controlled Chinese assets to Carlsberg Chongqing Breweries Company.

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

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 transaction was accounted for as a transaction with non-controlling interests and resulted in a net increase in equity for non-controlling interests and a corresponding decrease for shareholder in Carlsberg Breweries A/S of DKK 553m.

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 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 shareholder in Carlsberg Breweries A/S and non-controlling interests by DKK 827m.

Transactions with non-controlling interests

DKK million	Changes in equity		
2021	Shareholder in Carlsberg Breweries A/S	Non-controlling interests	Total equity
Change in ownership of non-controlling interests	16	-16	-
Fair value adjustments of contingent consideration	941	-	941
Recognised in equity	**957**	**-16**	**941**
Deconsolidation of Gorkha Brewery Ltd.	-	**-101**	**-101**
Disposal of 40% of Carlsberg UK to Marston's Group	-57	97	40
Purchase price allocation adjustments allocated to the non-controlling interest in Marston's brewing activities	-	34	34
Acquisition and deconsolidation of entities	**-57**	**30**	**-27**
2020			
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**
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 5.4

CONTINGENT CONSIDERATIONS

Contingent considerations relate to options held by non-controlling interests in subsidiaries to sell their shares to the Group and to deferred payments in the acquisition of entities contingent on market conditions.

At the end of the reporting period, the contingent considerations primarily related to put options on the shares in CSAPL, the parent company holding 100% and 90% of the shares in the businesses in India and Nepal respectively, in Brewery Alivaria, Belarus, and in minor craft breweries in Western and Central & Eastern Europe.

In accordance with the Group's accounting policy, shares subject to put options are consolidated as if the shares had already been acquired. The ownership percentage at which these subsidiaries are consolidated therefore differs from the legal ownership interest retained by the Group. Both the legal and the consolidated ownership are stated in section 10.

Contingent considerations

DKK million	2021	2020
Contingent considerations at 1 January	5,290	9,023
Additions	16	61
Payments	-247	-1
Fair value adjustments	-805	-3,793
Contingent considerations at 31 December	**4,254**	**5,290**

The carrying amount of contingent considerations is determined in accordance with the terms and conditions agreed with the holders of the options.

Of the contingent considerations, DKK 0.4bn (2020: DKK 5.2bn) is expected to fall due after more than 12 months.

PUT OPTION FOR SHARES IN CARLSBERG SOUTH ASIA PTE LTD (CSAPL)

To prepare the Group's best estimate of the fair value of the put option on the partner-owned 33% shareholding in CSAPL, a discounted cash flow model with a 10-year forecast period is applied with cash flows beyond the 10-year period extrapolated using a terminal period growth rate. The terminal growth rate is equal to the future inflation forecasted by IMF with the addition of a spread allowing for future growth in excess of inflation. The cash flows are estimated as the cash flows available to the shareholder in the parent company after deduction of withholding taxes on dividends and royalties. The forecasted cash flows consider current market conditions and expectations of the future development of the beer markets in India and Nepal, investment requirements etc. The cash flows are discounted by a weighted average cost of capital obtained from an external provider specialising in business valuations. The recognised liability is measured as the average of two valuations.

Assumptions

	India	Nepal
Discount rate	11.4%	16.0%
Terminal period growth rate	5.0%	6.4%
Compound annual growth rate in earnings after tax	15.2%	12.2%

The fair value of the put option decreased by DKK 1.0bn in 2021 due to the impact of COVID-19 on the Indian and Nepalese businesses, such as declining sales due to lockdowns and other restrictions, the increasing cost of raw and packaging materials, and increasing interest rates. The magnitude of the decline is dependent on the extent of government actions and support, and the expected time to return to pre-pandemic market conditions and earnings.

Although the Group disputes the partner's right to exercise the put option, it is accounted for in accordance with the Shareholders' Agreement until an arbitration award potentially results in a change in accounting treatment. The put option is therefore accounted for as if it were exercisable at 31 December 2021 at the discretion of the partner and has been reclassified from non-current to current liabilities. The put option window is open until late 2023. Please refer to section 3.4 for a further description of the dispute with the partner.

The Group previously called in a loan made to the partner in CSAPL, the loan having become due and payable in full. In January 2022, the Singapore court of appeal finally confirmed that the loan with interest is repayable by the partner to Carlsberg in full, totalling DKK 328m.

PAYMENT OF CONTINGENT CONSIDERATIONS

In 2021, the deferred contingent consideration for the acquisition of Marston's brewing activities was settled in cash with Marston's PLC at DKK 247m. The fair value adjustments since initial recognition were recognised in special items, DKK 129m (2020: DKK 50m).

! ACCOUNTING ESTIMATES AND JUDGEMENTS

The fair value of contingent considerations linked to put options is calculated on the basis of level 3 input consisting of non-observable data, such as entity-specific discount rates and industry-specific expectations of price developments, and generally accepted valuation methods, including discounted cash flows and multiples.

Estimates are based on updated information since initial recognition of the contingent consideration, including new budgets and sales forecasts, discount rates etc. The assumptions applied are in line with those used in the impairment tests as described in section 2.2 but reflecting the different models and valuation techniques required. The fair values of other contingent considerations are measured at the expected future price of selected shares.

SECTION 5.4 (CONTINUED)

CONTINGENT CONSIDERATIONS

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 (58%), Gorkha Brewery (90%) and four associates in China (50%). The total investment in these associates amounted to DKK 3,404m at 31 December 2021 (2020: DKK 2,173m).

The Group's ownership of Super Bock, Portugal, is 60%. Nevertheless, Super Bock remains an associate of the Group due to the ownership structure. Please refer to section 10 for further details.

In 2021, disputes with the local non-controlling shareholder prevented the Group from exercising its rights as a controlling shareholder in Gorkha Brewery, Nepal. The Group decided to cease full consolidation of the company from 31 December 2021 and it was therefore reclassified as an associate and recognised at fair value, DKK 1,188m, cf. section 5.2.

Despite the legal 58% ownership share in Myanmar Carlsberg, the entity is classified as an associate due to the structure of the agreement with the partner and the environment in the country.

In 2021, disputes with the partner regarding the management of Tibet Lhasa Brewery meant that the Group lost its significant influence in the company. The investment was therefore reclassified from associates to other financial investments. The disputes resulted in significant disturbances to the operation of the company, which negatively impacted the financial performance. The investment was therefore written down to its recoverable amount, cf. section 2.2.

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

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

Fair value of investment in listed associates

DKK million	2021	2020
The Lion Brewery Ceylon, Sri Lanka	355	382

Key figures for associates and joint ventures

DKK million	Carlsberg Breweries Group share			
2021	Profit after tax	Other comprehensive income	Total comprehensive income	Investments in associates and joint ventures
Associates	259	10	269	4,672
Joint ventures	-	-	-	-1
	259	**10**	**269**	**4,671**
2020				
Associates	298	-4	294	3,767
Joint ventures	-	-	-	-3
	298	**-4**	**294**	**3,764**

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.

SECTION 6

TAX

21.5%

TAX RATE

Tax rate is down from 24.7% in 2020, mainly as a result of special items.

SECTION 6.1

INCOME TAX

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

The Group's total tax cost was DKK 30m (2020: DKK 355m) higher than the Group's nominal weighted tax expense. The nominal weighted tax expense was negatively impacted by withholding taxes (particularly on dividends), non-deductible expenses (particularly marketing expenses and intercompany charges) and positively impacted by the non-taxable and non-deductible transactions in special items, resulting in an effective tax rate of 21.5% (2020: 24.7%).

The positive impact from special items comprised primarily non-taxable reversal of provisions made in prior years. Excluding special items and tax hereon the effective tax rate would be 23.1% (2020: 25.7%).

It is not possible to deduct all interest and fair value adjustments arising in Denmark due to thin capitalisation rules. Therefore, tax on such adjustments fluctuates from year to year.

ACCOUNTING POLICIES

Income tax comprises current tax and changes in deferred tax for the year, including changes as a result of a change in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, while the tax expense relating to items recognised in other comprehensive income is recognised in the statement of comprehensive income.

If the Group obtains a tax deduction on computation of the taxable income in Denmark or in foreign jurisdictions as a result of share-based payment programmes, 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

	2021		2020	
	%	DKK million	%	DKK million
Nominal weighted tax rate	21.2	2,152	20.8	1,885
Change in tax rate	-0.1	-14	0.1	9
Adjustments to tax for prior years	-0.6	-63	0.5	42
Non-capitalised tax assets and liabilities	0.8	79	1.5	138
Non-taxable income	-0.7	-74	-0.6	-57
Non-deductible expenses	3.0	308	1.6	146
Tax incentives etc.	-0.1	-13	-0.5	-45
Special items	-2.4	-239	-	-3
Withholding taxes	1.3	132	1.8	167
Other, including tax in associates and joint ventures	-0.9	-86	-0.5	-42
Effective tax rate for the year	**21.5**	**2,182**	**24.7**	**2,240**
Effective tax rate for the year, excluding the effect of non-taxable and non-deductible transactions in special items	23.1	-	25.7	-

SECTION 6.1 (CONTINUED)
INCOME TAX

Income tax expenses

DKK million	2021 Income statement	2021 Other comprehensive income	2021 Total comprehensive income	2020 Income statement	2020 Other comprehensive income	2020 Total comprehensive income
Tax for the year can be specified as follows						
Current tax	2,415	-83	2,332	2,023	22	2,045
Change in deferred tax and non-current tax payables during the year	-156	-20	-176	166	42	208
Change in deferred tax as a result of change in tax rate	-14	-	-14	9	-	9
Adjustments to tax for prior years	-63	-	-63	42	-	42
Total	**2,182**	**-103**	**2,079**	**2,240**	**64**	**2,304**

Tax recognised in other comprehensive income

DKK million	2021 Recognised item before tax	2021 Tax income/ expense	2021 After tax	2020 Recognised item before tax	2020 Tax income/ expense	2020 After tax
Foreign exchange adjustments	-3,307	-	-3,307	7,640	-	7,640
Hedging instruments	323	-83	240	-198	22	-176
Retirement benefit obligations	-577	-20	-597	-2	42	40
Share of other comprehensive income in associates and joint ventures	-10	-	-10	4	-	4
Total	**-3,571**	**-103**	**-3,674**	**7,444**	**64**	**7,508**

SECTION 6.2
TAX ASSETS AND LIABILITIES

Of the total deferred tax assets recognised, DKK 26m (2020: DKK 124m) 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 1,334m (2020: DKK 936m) primarily relates 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 1,00m (2020: DKK 962m). The remaining tax losses of DKK 331m (2020: DKK 355m) will expire within five years.

Deferred tax of DKK 39m (2020: DKK 41m) was recognised in respect of the tax of 5% payable on planned dividends from certain entities in Central & Eastern Europe.

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

SECTION 6.2 (CONTINUED)

TAX ASSETS AND LIABILITIES

Changes in deferred tax and non-current tax payables for the year amounted to DKK 156m (2020: DKK 166m).

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

DKK million	2021	2020
Deferred tax liabilities	5,663	4,118
Non-current tax payables	-	1,484
Non-current tax liabilities at 31 December	**5,663**	**5,602**

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	2021	2020
Tax assets and liabilities at 1 January, net	3,944	3,977
Adjustments to prior years	-22	79
Acquisition of entities	172	-
Recognised in other comprehensive income	-20	42
Recognised in the income statement, net	-279	166
Change in tax rate	-14	9
Foreign exchange adjustments	-23	-329
Tax assets and liabilities at 31 December, net	**3,758**	**3,944**
Recognised as follows		
Tax liabilities	5,663	5,602
Tax assets	-1,905	-1,658
Tax assets and liabilities at 31 December, net	**3,758**	**3,944**

Specification of deferred tax

	Deferred tax assets		Deferred tax liabilities	
DKK million	2021	2020	2021	2020
Intangible assets	519	388	2,790	2,619
Property, plant and equipment	218	245	1,628	1,579
Current assets	453	386	19	25
Provisions and retirement benefit obligations	2,382	1,929	2,936	1,334
Fair value adjustments	34	35	17	10
Tax losses	26	124	-	-
Total before offset	**3,632**	3,107	**7,390**	5,567
Offset	-1,727	-1,449	-1,727	-1,449
Deferred tax assets and liabilities at 31 December	**1,905**	**1,658**	**5,663**	**4,118**
Expected to be used as follows				
Within one year	1,097	959	814	1,701
After more than one year	808	699	4,849	2,417
Total	**1,905**	**1,658**	**5,663**	**4,118**

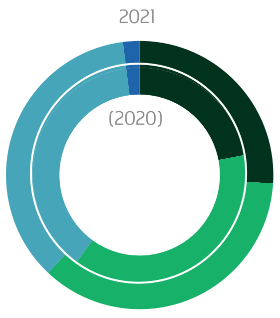
SECTION 7

STAFF COSTS AND REMUNERATION

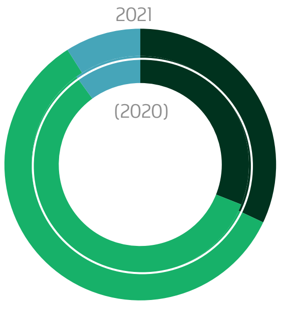
Pensions

Defined benefit obligations were affected by the asset celling in Switzerland and higher discount rates across all markets as a result of the pandemic.

EMPLOYEES BY SEGMENT (%)



EMPLOYEES BY FUNCTION (%)



SECTION 7.1

STAFF COSTS

Staff costs increased in 2021, mainly due to higher performance-related payouts because of the good financial performance in 2021 and cycling of reversal of retirement provisions in China in 2020.

Severance payments were lower due to fewer redundancies than in 2020.

The average number of employees decreased in 2021 as the full-year effects of restructuring projects initiated in 2020 were felt. This was partly offset by the inclusion of Marston's and Wernesgrüner personnel.

Staff costs

DKK million	2021	2020
Salaries and other remuneration	8,448	7,764
Severance payments	81	176
Social security costs	1,286	1,172
Retirement benefit costs – defined contribution plans	329	297
Retirement benefit costs – defined benefit plans	188	-19
Share-based payments	68	58
Other employee benefits	92	92
Total	**10,492**	**9,540**
Average number of employees	**39,278**	**39,915**
Staff costs are included in the following line items in the income statement		
Cost of sales	2,896	2,672
Sales and distribution expenses	5,499	5,087
Administrative expenses	1,975	1,874
Other operating activities, net	59	5
Financial expenses (pensions)	42	-189
Special items (restructurings)	21	91
Total	**10,492**	**9,540**

SECTION 7.2
REMUNERATION

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

The remuneration of key management personnel increased in 2021, primarily because of the impact of better performance on the KPIs measured in both short- and long-term incentive programmes and changes to the composition of ExCom.

The Supervisory Board of Carlsberg Breweries A/S is not remunerated.

All elements except for share-based payments are classified as short-term employee benefits. Share-based payments are classified as long-term employee benefits.

ACCOUNTING POLICIES

Staff costs are recognised in the financial year in which the employee renders the related service.

The cost of share-based payments, which is expensed over the vesting period of the programme according to the service conditions, is recognised in staff costs and provisions or equity, depending on how the programme is settled with the employees.

Key management personnel comprise the Executive Committee, excluding the executive directors. Other management personnel included in the share-based payment schemes comprise vice presidents and other key employees in central functions as well as the management of significant subsidiaries.

Remuneration

DKK million	Executive directors[1] 2021	Executive directors[1] 2020	Key management personnel 2021	Key management personnel 2020
Fixed salary	20.7	20.7	29.1	29.7
Cash bonus	20.7	9.3	30.1	12.4
Other benefits	1.1	1.1	6.0	8.5
Severance payments	-	-	3.4	8.3
Remuneration settled in cash	**42.5**	**31.1**	**68.6**	**58.9**
Non-monetary benefits	0.4	0.4	3.1	1.1
Share-based payments	31.1	26.0	3.5	10.5
Remuneration, non-monetary and share-based	**31.5**	**26.4**	**6.6**	**11.6**
Total cash and non-cash	**74.0**	**57.5**	**75.2**	**70.5**

[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.

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 (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 2021, 177 employees (2020: 189 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 989 (2020: DKK 770). The average contractual life at the end of 2021 was 1.2 years (2020: 1.2 years).

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 1.7 years (2020: 2.8 years).

Share option disclosures

DKK million	2021	2020
Fair value at 31 December	70	52

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 2019	189,405	98,248	614,100	901,753
Granted	48,991	22,550	129,828	201,369
Forfeited/expired/adjusted	-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**
Granted	50,805	15,800	125,356	191,961
Forfeited/adjusted/transferred	-13,027	-13,202	-84,177	-110,406
Exercised/settled	-44,212	-17,022	-84,567	-145,801
31 December 2021	**136,178**	**40,127**	**233,908**	**410,213**

[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

(¤)

	Performance shares	
	2021	2020
Assumptions		
Expected volatility	23.3%/23.7%	16.0%/21.0%
Risk-free interest rate	0.0%	0.0%
Expected dividend yield	0.0/2.2%	0.0/3.0%
Expected life, years	3.0	3.0
Fair value at measurement date	DKK 512-961	DKK 567-894

Performance share disclosures

		Regular	
	2021	2020	2020
Fair value at grant date	107	116	-
Cost of shares granted in the year	31	24	-
Total cost of performance shares	68	48	10
Cost not yet recognised	139	116	7
Fair value at 31 December	422	413	-

Share options

	Exercise price	Number		
	Fixed, weighted average	Executive directors	Other management personnel	Total
31 December 2019	518	114,984	-	114,984
31 December 2020	**518**	**114,984**	**-**	**114,984**
31 December 2021	**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 and salaries and length of employment.

Retirement benefit obligations cover both present and future retirees' entitlement to retirement benefits.

DEFINED CONTRIBUTION PLANS

A defined contribution plan is a post-employment benefit plan under which the Group pays contributions to a separate independent company. The Group's legal or constructive obligation is limited to the contributions.

64% (2020: 60%) of the Group's retirement benefit costs related to defined contribution plans. In 2021, the expense recognised in relation to these contributions was DKK 329m (2020: DKK 297m).

DEFINED BENEFIT PLANS

A defined benefit plan guarantees employees a certain level of pension benefits for life. The pension is based on seniority and salary at the time of retirement. The Group assumes the risk associated with future developments in interest rates, inflation, mortality and disability etc.

The most significant plans are in the UK and Switzerland, representing 51% and 38% respectively (2020: 50% and 38%), while the eurozone countries represented 5% (2020: 5%) of the gross obligation at 31 December 2021.

The majority of the obligations are funded, with assets placed in independent pension funds, mainly in Switzerland and the UK. The largest part of the plan assets are based on a quoted market price. In some countries, primarily Germany, Sweden and China, the obligation is unfunded. The retirement benefit obligations for these unfunded plans amounted to DKK 1,538m (2020: DKK 1,559m) or 11% (2020: 11%) of the gross obligation.

In 2021, the Group's obligation, net, on defined benefit plans decreased by DKK 584m compared with 2020. The change was primarily driven by the effect of the asset ceiling in Switzerland, DKK 129m, and changes in the actuarial assumptions mainly due to increased discount rates across all markets, which decreased the gross obligation.

Obligation, net

DKK million	2021 Present value of obligation	2021 Fair value of plan assets	2021 Obligation, net	2020 Present value of obligation	2020 Fair value of plan assets	2020 Obligation, net
Obligation at 1 January	**13,557**	**10,654**	**2,903**	**13,738**	**10,472**	**3,266**
Recognised in the income statement						
Current service cost	183	-	183	223	-	223
Past service cost	5	-	5	-242	-	-242
Net interest on the net defined benefit obligation (asset)	138	99	39	160	114	46
Total	**326**	**99**	**227**	**141**	**114**	**27**
Remeasurements						
Gain/loss from changes in actuarial assumptions	-28	-	-28	50	-	50
Gain/loss from changes in financial assumptions	-114	564	-678	682	734	-52
Asset ceiling	-	-129	129	-	-	-
Total	**-142**	**435**	**-577**	**732**	**734**	**-2**
Other changes						
Contributions to plans	-	253	-253	-	182	-182
Benefits paid	-681	-596	-85	-605	-504	-101
Acquisition and disposal of entities, net	-5	-	-5	-	-	-
Transfers	-	-	-	-28	7	-35
Foreign exchange adjustments etc.	770	661	109	-421	-351	-70
Total	**84**	**318**	**-234**	**-1,054**	**-666**	**-388**
Obligation at 31 December	**13,825**	**11,506**	**2,319**	**13,557**	**10,654**	**2,903**

The total return on plan assets for the year amounted to DKK 663m (2020: DKK 848m).

SECTION 7.4 (CONTINUED)

RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS

The Group has a triennial valuation process to agree on any future funding arrangements. The most recent one was completed in 2020. The Group expects to contribute DKK 80m (2020: DKK 74m) to the plan assets in 2022, which is in line with the agreed funding arrangement, under which the Group will contribute DKK 496m up to 2026. Plan assets do not include shares in the Group or properties used by Group companies.

Amounts recognised in other comprehensive income for 2021 totalled DKK -420m (2020: DKK -430m), comprising a foreign exchange adjustment of DKK -182m and a net actuarial loss of DKK 602m.

The accumulated actuarial loss and foreign exchange adjustment recognised at 31 December 2021 was DKK 2,800m (2020: DKK 3,220m), with actuarial net losses of DKK 2,447m (2020: DKK 3,027m).

Assumptions applied

In 2021, 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, while the Swiss entities use BVG 2020 for valuation of their retirement benefit obligations.

Sensitivity analysis

The sensitivity analysis is based on a change in one of the assumptions, while all other assumptions remain constant. This is highly unlikely, however, as a change in one assumption would probably affect other assumptions as well. When calculating the obligation on the basis of a changed assumption, the same method has been applied as when calculating the defined benefit obligation.

Expected maturity and duration

Defined benefit obligations are primarily expected to mature after five years. The expected duration of the obligations at year-end 2021 was 17 years. The duration is calculated using a weighted average of the duration divided by the obligation.

Breakdown of plan assets

	2021		2020	
	DKK million	%	DKK million	%
Shares	1,345	12	992	9
Bonds and other securities	7,485	65	7,578	71
Real estate	2,088	18	1,914	18
Cash and cash equivalents	588	5	170	2
Total	**11,506**	**100**	**10,654**	**100**

Assumptions applied

2021	CHF	UK	EUR	Other	Weighted average
Discount rate	0.3%	1.8%	0.3 - 0.9%	2.2%	1.2%
Growth in wages and salaries	1.0%	2.5%	0.2 - 2.8%	2.6%	1.9%

2020	CHF	UK	EUR	Others	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%

Sensitivity analysis

	2021		2020	
DKK million	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	-1,097	1,251	-1,514	1,715
Growth in wages and salaries	81	-73	74	-67
	+1 year	-1 year	+1 year	-1 year
Mortality	522	-520	454	-376

Maturity of retirement benefit obligations

DKK million	< 1 year	1-5 years	> 5 years	Total
2021	727	2,908	10,190	13,825
2020	608	2,300	10,649	13,557

SECTION 7.4 (CONTINUED)

RETIREMENT BENEFIT OBLIGATIONS AND SIMILAR OBLIGATIONS

ACCOUNTING ESTIMATES AND JUDGEMENTS

The value of the Group's defined benefit plans is based on valuations from external actuaries. The valuation is based on a number of actuarial assumptions, including discount rates, expected growth in wages and salaries, mortality and retirement benefits.

The present value of the net obligation is calculated by using the projected unit credit method and discounting the defined benefit plan by a discount rate for each country. The discount rate is determined by reference to market yields on high-quality corporate bonds. Where high-quality corporate bonds are not available, the market yields on government bonds are used instead.

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

ACCOUNTING POLICIES

Contributions paid to a **defined contribution plan** are recognised in the income statement in the period during which services are rendered by employees. Any contributions outstanding are recognised in the statement of financial position as other liabilities.

The Group's net obligation recognised in the statement of financial position in respect of **defined benefit plans** is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets calculated by a qualified actuary.

The present value is determined separately for each plan by discounting the estimated future benefits that employees have earned in return for their service in the current and prior years.

The costs of a defined benefit plan are recognised in the income statement and include service costs, net interest based on actuarial estimates and financial expectations.

Service costs comprise **current service cost and past service cost. Current service cost** is the increase in the present value of the defined benefit obligation resulting from employee services in the current period. **Past service cost** is the change in the present value of the obligation regarding employee services in prior years that arises from a plan amendment or a curtailment. Past service costs are recognised immediately, provided employees have already earned the changed benefits.

Realised gains and losses on curtailment or settlement are recognised under staff costs.

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

Differences between the development in retirement benefit assets and liabilities and realised amounts at year-end are designated as actuarial gains or losses and recognised in other comprehensive income. As they will never be reclassified to the income statement, they are included in retained earnings.

If a retirement benefit plan constitutes a net asset, the asset is recognised only if it offsets future refunds from the plan or will lead to reduced future payments to the plan.

Realised gains and losses on the adjustment of retirement benefit obligations as a result of termination of a significant number of positions in connection with restructurings are recognised under special items.

SECTION 8

OTHER DISCLOSURE REQUIREMENTS

SECTION 8.1

FEES TO AUDITORS

Fees to auditors appointed by the Annual General Meeting

DKK million	2021	2020
PwC, including network firms		
Statutory audit	23	20
Assurance engagements	1	1
Tax advisory	2	2
Other services	2	2
Total	**28**	**25**

Fees for services other than the statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 1m (2020: DKK 2m), including VAT compliance, other assurance opinions and agreed-upon procedures as well as accounting advice.

SECTION 8.2

RELATED PARTIES

RELATED PARTIES EXERCISING CONTROL
Carlsberg A/S, J.C. Jacobsens Gade 1, 1799 Copenhagen V, Denmark, holds all the shares in Carlsberg Breweries A/S.

The following transactions with the parent and ultimate parent company (the Carlsberg Foundation) in 2021:

Carlsberg A/S received a dividend of DKK 6,520 per share amounting to DKK 3,260m, a loan facility of DKK 304m at 31 December 2021 and paid interest of DKK 1m to Carlsberg Breweries A/S. In 2020, the Carlsberg Foundation contributed a total amount of DKK 53m to support the rebuilding of the Carlsberg Visitor Centre during 2021 and 2022. The purpose of the rebuild is to better showcase Carlsberg's rich history and value creation.

OTHER ACTIVITIES
Visit Carlsberg A/S, 100% owned by Carlsberg Breweries A/S, hosted and administered events at the Carlsberg Academy, which is owned by the Carlsberg Foundation, at a value of DKK 1m. Furthermore, Visit Carlsberg A/S was paid DKK 0.4m for work to restore the Carlsberg Academy before its reopening in 2021.

The Group's delivery of beer and soft drinks to the Carlsberg Foundation is charged at ordinary listing price minus a discount. In 2021, the deliveries amounted to DKK 0.2m (total sales of goods) (2020: DKK 0.1m).

Carlsberg Breweries A/S leases storage facilities in the researcher apartments. These lease agreements are with subsidiaries of the Foundation. The two annual lease payments amount to DKK 0.2m and the leases are on market terms.

It is estimated that the benefit for the 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.

Transactions with related parties

DKK million	2021	2020
Carlsberg A/S		
Other operating activities, net	-50	-45
Interest income	1	11
Loans	310	1,158
Receivables	13	16
Trade payables	-52	-273
Associates and joint ventures		
Revenue	76	78
Cost of sales	-817	-756
Sales expenses	-11	-14
Interest income	14	15
Loans	242	213
Receivables	224	105
Trade payables and other liabilities	-36	-10

SECTION 8.3

EVENTS AFTER THE REPORTING PERIOD

The conflict involving Ukraine and Russia has escalated significantly after the end of the reporting period. The conflict is expected to have a negative impact on the financial performance in the Central & Eastern Europe region. Currently, a reliable estimate of the financial effect on the consolidated financial statements cannot be made.

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

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

SECTION 9.2

GENERAL ACCOUNTING POLICIES

The Group's 2021 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.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Entities over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of less than 50% of the voting rights or participation in the management of the company. The assessment of whether Carlsberg Breweries A/S exercises control or significant influence includes potential voting rights exercisable at the reporting date. Entities that by agreement are managed jointly with one or more other parties are considered joint ventures.
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 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.

SECTION 9.2 (CONTINUED)

GENERAL ACCOUNTING POLICIES

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 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.

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 c
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 comparisons.
Volumes[1]	The Group's sale of beverages in consolidated entities and sale of the Group's products under lice

[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 2021

The Annual Report 2021 has been prepared using the same accounting policies for recognition and measurement as those applied to the consolidated financial statements for 2020, except for the following Amendments that were adopted as of 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest rate benchmark reform – Phase 2”
- Amendments to IFRS 4 “Insurance Contracts – deferral of IFRS 9”
- Amendments to IFRS 16 “Leases”: COVID-19-Related Rent Concessions beyond 30 June 2021

These Amendments had no impact on the Group’s accounting policies, as they cover areas that are not material and/or relevant for the Group or do not change the accounting policies applied in 2021.

SECTION 9.4

NEW LEGISLATION

NEW AND AMENDED IFRS STANDARDS

The following Amendments to IFRS became effective as of 1 January 2022:

- Amendment to IAS 16 “Property, Plant and Equipment”
- Amendment to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”
- Amendments to IFRS 3 “Business Combinations”
- Annual Improvements to IFRS Standards 2018-2020 (IFRS 1, IFRS 9 and IFRS 16)

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 2021.

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

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

- 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”
- Amendment to IAS 1 “Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies”
- Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates”
- Amendments to IAS 12 “Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17: “Initial Applications of IFRS 17” and IFRS 9: “Comparative Information”

The new Standard is not mandatory for the financial reporting for 2021. The Group expects to adopt the new Standard when it becomes mandatory.

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	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Carlsberg Danmark A/S	Denmark			100%	100%
Carlsberg Supply Company Danmark A/S	Denmark			100%	100%
Carlsberg Sweden Holding 2 AB	Sweden			100%	100%
Carlsberg Sverige AB	Sweden			100%	100%
Carlsberg Supply Company Sverige AB	Sweden			100%	100%
Ringnes Norge AS	Norway		1	100%	100%
Ringnes AS	Norway			100%	100%
Ringnes Brygghus AS	Norway			100%	100%
Solo AS	Norway			91%	91%
Ringnes Supply Company AS	Norway			100%	100%
Ringnes Farris Eiendom AS	Norway			100%	100%
Ringnes Imsdal Eiendom AS	Norway			100%	100%
Ringnes Administrasjon Eiendom AS	Norway			100%	100%
Ringnes Gjelleråsen Eiendom AS	Norway			100%	100%
Oy Sinebrychoff Ab	Finland			100%	100%
Sinebrychoff Supply Company Oy	Finland			100%	100%
Carlsberg Deutschland Holding GmbH	Germany			100%	100%
Holzmarkt Brewing Company GmbH	Germany			100%	100%
Carlsberg Deutschland Logistik GmbH	Germany			100%	100%
Tuborg Deutschland GmbH	Germany			100%	100%
Carlsberg Deutschland GmbH	Germany		6	100%	100%
Duckstein GmbH	Germany			100%	100%

Western Europe	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Holzmarkt Beteiligungsgesellschaft mbH	Germany			100%	100%
Holsten-Brauerei AG	Germany			100%	100%
Carlsberg Supply Company Deutschland GmbH	Germany			100%	100%
Wernesgrüner Brauerei GmbH	Germany			100%	100%
Carlsberg Supply Company Polska SA	Poland			100%	100%
Carlsberg Polska Sp. z o.o.	Poland			100%	100%
Carlsberg UK Holdings Limited	UK		3	100%	100%
Carlsberg Marston's Brewing Company Limited	UK		1	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		1	100%	60%
Emeraude S.A.S.	France		7	100%	100%
Kronenbourg S.A.S.	France		1	100%	100%
Kronenbourg Supply Company S.A.S.	France			100%	100%
Kronenbourg Breweries Canada Inc.	Canada			100%	100%
Fondation Kronenbourg	France			100%	100%
S.A.S. Onyx	France			100%	100%
Feldschlösschen Getränke Holding AG	Switzerland		2	100%	100%
Feldschlösschen Getränke AG	Switzerland			100%	100%
Schlossgarten Gastronomie AG	Switzerland			100%	100%
SB Swiss Beverage AG	Switzerland			100%	100%

Western Europe	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Feldschlösschen Supply Company AG	Switzerland			100%	100%
Carlsberg Supply Company AG	Switzerland			100%	100%
Nya Carnegiebryggeriet AB	Sweden			100%	100%
E.C. Dahls Bryggeri AS	Norway			100%	100%
HK Yau Limited	Hong Kong			100%	100%
Monster the Cat GmbH	Switzerland			100%	100%
Grimbergen Abbey Brewery	Belgium			100%	100%
Zatecky Pivovar spol. S.r.o.	Czechia			100%	100%

Asia	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Carlsberg Supply Company Asia Ltd	Hong Kong			100%	100%
Carlsberg Asia Pte Ltd	Singapore			100%	100%
Carlsberg Brewery Hong Kong Ltd	Hong Kong			100%	100%
Guangzhou Carlsberg Consultancy and Management Services Co. Ltd	China			100%	100%
Chongqing Brewery Co., Ltd	China	**A**		60%	60%
Carlsberg Chongqing Breweries Company Limited	China	**B**	7	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%
Lao Brewery Co. Ltd	Laos			61%	61%

Asia	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Carlsberg Brewery Malaysia Berhad	Malaysia	**A**		51%	51%
Carlsberg Marketing Sdn BHD	Malaysia			100%	51%
Euro Distributors Sdn BHD	Malaysia			100%	51%
Carlsberg Singapore Pte Ltd	Singapore			100%	51%
Maybev Pte Ltd	Singapore	**C**		51%	26%
Carlsberg South Asia Pte Ltd	Singapore	**D**		67%	100%
South Asian Breweries Pte. Ltd	Singapore	**D**		100%	100%
Carlsberg India Pvt. Ltd	India	**D**		100%	100%
Gorkha Brewery Pvt. Ltd	Nepal	**D, E, F**		90%	90%
G.B. Marketing Pvt Ltd	Nepal	**D, F**		100%	90%
Carlsberg Vietnam Trading Co. Ltd	Vietnam			100%	100%
Carlsberg Vietnam Breweries Ltd	Vietnam			100%	100%
Paduak Holding Pte. Ltd	Singapore			100%	100%
Caretech Limited	Hong Kong			100%	100%
Cambrew Limited	Cambodia		2	100%	100%
Cambrew Properties Ltd	Cambodia			100%	100%
Angkor Beverage Co Ltd	Cambodia			100%	100%
CB Distribution Co., Ltd	Thailand			100%	100%

A Listed company.

B Carlsberg Chongqing Breweries Company Limited is owned by Chongqing Brewery Co., Ltd (51%) and Guangzhou Carlsberg Consultancy and Management Services Co Ltd (49%), resulting in a consolidated ownership of 79%.

C Maybev Pte Ltd is owned by Carlsberg Singapore Pte Ltd (51%), which is owned by Carlsberg Brewery Malaysia Berhad (51%), resulting in a consolidated ownership of 26%.

D The Group owns 67% of Carlsberg South Asia Pte Ltd, which is the holding company of South Asian Breweries Pte. Ltd, Carlsberg India Pvt. Ltd and Gorkha Brewery Pvt. Ltd (Nepal). The consolidation percentage of Carlsberg South Asia Pte Ltd is 100% due to a written put option.

E The Group has the legal and contractual rights of a majority shareholder in Gorkha Brewery Pvt. Ltd, but does not consolidate the company and its subsidiary for accounting purposes, cf. section 5.2.

F Company not audited by PwC.

Central & Eastern Europe	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Baltika Breweries LLC	Russia	**G**	3	100%	100%
Carlsberg Azerbaijan LLC	Azerbaijan			100%	100%
Baku Piva JSC	Azerbaijan			91%	91%
Hoppy Union LLC	Russia	**G**		100%	100%
Konix Brewery LLC	Russia	**H**		75%	100%
Carlsberg Kazakhstan Ltd	Kazakhstan	**G**		100%	100%
Baltic Beverages Invest AB	Sweden	**G**		100%	100%
PJSC Carlsberg Ukraine	Ukraine		1	100%	100%
Baltic Beverages Holding AB	Sweden			100%	100%
Carlsberg Serbia Ltd	Serbia			100%	100%
Carlsberg BH d.o.o.	Bosnia and Herzegovina			100%	100%
Carlsberg Montenegro d.o.o.	Montenegro			100%	100%
Carlsberg Croatia d.o.o.	Croatia			100%	100%
Carlsberg Bulgaria AD	Bulgaria			100%	100%
OJSC Brewery Alivaria	Belarus	**H**		78%	89%
Carlsberg Italia S.p.A.	Italy			100%	100%
Carlsberg Horeca Srl	Italy			100%	100%
T&C Italia Srl	Italy			100%	100%
Olympic Brewery SA	Greece			100%	100%
Hellenic Beverage Company SA	Greece			100%	100%
Carlsberg Hungary Kft.	Hungary			100%	100%
Saku Õlletehase AS	Estonia			100%	100%
Aldaris JSC	Latvia			100%	100%
Svyturys-Utenos Alus UAB	Lithuania	**G**		99%	99%
CTDD Beer Imports Ltd	Canada			100%	100%
Carlsberg Canada Inc.	Canada			100%	100%
Carlsberg USA Inc.	USA			100%	100%

Not allocated	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Carlsberg Finans A/S	Denmark			100%	100%
Carlsberg International A/S	Denmark			100%	100%
Visit Carlsberg A/S	Denmark			100%	100%
Carlsberg Invest A/S	Denmark			100%	100%
Carlsberg Integrated Information Technology A/S	Denmark			100%	100%
Carlsberg Insurance A/S	Denmark			100%	100%
Carlsberg Central Office A/S	Denmark			100%	100%
Carlsberg Shared Services Sp. z o.o.	Poland			100%	100%

Associates and joint ventures	Place of incorporation	Note	Number of subsidiaries	Parent direct ownership	Consolidated ownership
Shangri-la Beverages AG	Switzerland			35%	35%
Sinergie Proattive Srl	Italy			36%	36%
Viacer S.G.P.S., Lda	Portugal	**J**		29%	29%
Super Bock Group, S.G.P.S., S.A.	Portugal	**J**	13	56%	60%
Serviced Dispense Equipment (Holdings) Limited	UK		2	33%	20%
Nuuk Imeq A/S	Greenland	**F**		32%	32%
Chongqing Jiawei Beer Co. Ltd	China			33%	26%
Lanzhou Huanghe Jianiang Brewery Company Limited	China			50%	50%
Qinghai Huanghe Jianiang Brewery Company Ltd	China			50%	50%
Jiuquan West Brewery Company Limited	China			50%	50%
Tianshui Huanghe Jianiang Brewery Company Ltd	China			50%	50%
Capital Brewing Company Ltd	Hong Kong		4	49%	49%
Lion Brewery (Ceylon) PLC	Sri Lanka	**A, F, K**		25%	13%
Hanoi Beer Alcohol and Beverage Joint Stock Corporation	Vietnam	**F**		17%	17%
Carlsberg Distributors Taiwan Limited	Taiwan		1	50%	50%
NCC Crowns Private Limited	India			33%	33%
Bottlers Nepal Limited	Nepal		1	22%	20%
Myanmar Carlsberg Co. Ltd	Myanmar	**F**	1	58%	58%

G Company owned by Carlsberg Sverige AB.

H Consolidated ownership is higher than the legal ownership due to written put options.

I A separate annual report is not prepared.

J 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%.

K 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.

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PARENT COMPANY FINANCIAL STATEMENTS

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INCOME STATEMENT

DKK million	Section	2021	2020
Revenue		**2,387**	**2,134**
Cost of sales	3.1	-870	-816
Gross profit		**1,517**	**1,318**
Sales and distribution expenses	3.1	-730	-614
Administrative expenses		-904	-745
Other operating activities, net	3.1	146	189
Operating profit before special items		**29**	**148**
Special items, net	1.2	-173	-120
Financial income	2.2	6,375	7,930
Financial expenses	2.2	-978	-618
Profit before tax		**5,253**	**7,340**
Income tax	5.4	62	-194
Profit for the year		**5,315**	**7,146**
Attributable to			
Dividend to shareholder		3,486	3,260
Reserves		1,829	3,886
Profit for the year		**5,315**	**7,146**

STATEMENT OF COMPREHENSIVE INCOME

DKK million	Section	2021	2020
Profit for the year		**5,315**	**7,146**
Other comprehensive income			
Value adjustments of hedging instruments		-19	15
Income tax	5.4	4	-3
Items that may be reclassified to the income statement		**-15**	**12**
Other comprehensive income		**-15**	**12**
Total comprehensive income		**5,300**	**7,158**

STATEMENT OF FINANCIAL POSITION

DKK million	Section	31 Dec. 2021	31 Dec. 2020
ASSETS			
Non-current assets			
Intangible assets	5.3	1,544	1,598
Property, plant and equipment	5.3	282	301
Investments in subsidiaries	1.1	77,546	77,623
Investments in associates and joint ventures	1.1	4,098	4,096
Receivables	3.3	318	261
Total non-current assets		**83,788**	**83,879**
Current assets			
Trade receivables	3.3	872	803
Tax receivables		79	65
Other receivables	3.3	20,533	19,023
Prepayments		30	26
Cash and cash equivalents	2.4	3,291	3,903
Total current assets		**24,805**	**23,820**
Total assets		**108,593**	**107,699**

DKK million	Section	31 Dec. 2021	31 Dec. 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	2.1	499	500
Hedging reserves		-286	-271
Retained earnings		52,699	54,808
Total equity		**52,912**	**55,037**
Non-current liabilities			
Borrowings	2.4	21,886	27,517
Deferred tax liabilities	5.4	258	364
Provisions	5.1	460	335
Total non-current liabilities		**22,604**	**28,216**
Current liabilities			
Borrowings	2.4	31,151	22,790
Trade payables		879	889
Deposits on returnable packaging materials		51	47
Provisions	5.1	34	87
Other liabilities, etc.		962	633
Total current liabilities		**33,077**	**24,446**
Total liabilities		**55,681**	**52,662**
Total equity and liabilities		**108,593**	**107,699**

STATEMENT OF CHANGES IN EQUITY

DKK million	Shareholder in Carlsberg Breweries A/S			
2021	Share capital	Hedging reserves	Retained earnings	Total equity
Equity at 1 January	**500**	**-271**	**54,808**	**55,037**
Profit for the year	**-**	**-**	**5,315**	**5,315**
Other comprehensive income	**-**	**-15**	**-**	**-15**
Total comprehensive income for the year	**-**	**-15**	**5,315**	**5,300**
Capital reduction	-1	-	-3,999	-4,000
Settlement of share-based payments	-	-	-207	-207
Share-based payments	-	-	42	42
Dividend paid to shareholder	-	-	-3,260	-3,260
Total changes in equity	**-1**	**-15**	**-2,109**	**-2,125**
Equity at 31 December	**499**	**-286**	**52,699**	**52,912**
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**

STATEMENT OF CASH FLOWS

DKK million	Section	2021	2020
Operating profit before special items		29	148
Depreciation, amortisation and impairment losses		75	71
Operating profit before depreciation, amortisation and impairment losses		**104**	**219**
Other non-cash items	3.2	36	28
Change in working capital	3.2	-139	-258
Restructuring costs paid		-60	-147
Interest etc. received		354	454
Interest etc. paid		-713	-600
Income tax paid		-54	-10
Cash flow from operating activities		**-472**	**-314**
Acquisition of property, plant and equipment and intangible assets		-1	-809
Disposal of property, plant and equipment and intangible assets		1	32
Total operational investments		**-**	**-777**
Acquisition and disposal of subsidiaries, net		-	1,688
Capital injection in subsidiaries		-46	-1,288
Acquisition and disposal of associates and joint ventures, net		-2	-
Change in financial receivables		-2	21
Dividends received		5,681	7,149
Total financial investments		**5,631**	**7,570**
Cash flow from investing activities		**5,631**	**6,793**
Free cash flow		**5,159**	**6,479**
Shareholder in Carlsberg Breweries A/S	2.1	-7,260	-5,704
External financing	2.4	1,483	2,232
Cash flow from financing activities		**-5,777**	**-3,472**
Net cash flow		**-618**	**3,007**
Cash and cash equivalents at 1 January		3,903	1,051
Foreign exchange adjustment of cash and cash equivalents		6	-155
Cash and cash equivalents at 31 December	2.4	**3,291**	**3,903**

SECTION 1

SUBSIDIARIES AND RELATED PARTIES

SECTION 1.1

INVESTMENTS IN SUBSIDIARIES

In 2021, impairment losses of DKK 123m were recognised as a result of deteriorating business conditions in a minor investment in Western Europe.

In 2020 impairment losses of DKK 800m related 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.

Investments in subsidiaries

DKK million	2021	2020
Cost		
Cost at 1 January	84,723	84,284
Acquisition of entities	-	2
Additions	46	1,288
Disposals	-66	-851
Cost at 31 December	**84,703**	**84,723**
Value adjustments		
Value adjustments at 1 January	7,100	6,300
Disposal of entities	-66	-
Impairment in the period	123	800
Value adjustments at 31 December	**7,157**	**7,100**
Carrying amount at 31 December	**77,546**	**77,623**

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 further indications of impairment existed at year-end 2021. Impairment tests have therefore not been carried out for investments in other subsidiaries.

Investments in associates and joint ventures

DKK million	2021	2020
Cost		
Cost at 1 January	4,096	4,098
Additions	2	-
Transfers	-	-2
Cost at 31 December	**4,098**	**4,096**
Value adjustments		
Value adjustments at 1 January	-	-
Value adjustments at 31 December	**-**	**-**
Carrying amount at 31 December	**4,098**	**4,096**

ACCOUNTING POLICIES

Dividends on investments in subsidiaries are recognised in the income statement of the Parent Company in the financial year in which the dividend is declared.

Investments in subsidiaries are measured at the lower of cost and recoverable amount.

SECTION 1.2

SPECIAL ITEMS

Special items

DKK million	2021	2020
Restructuring cost	-49	-47
Gain on sale of activities to group companies	-	839
Impairment of investments in subsidiaries	-123	-800
Other	-1	-112
Special items, net	**-173**	**-120**

Impact of special items on operating profit

DKK million	2021	2020
If special items had been recognised in operating profit before special items, they would have been included in the following items:		
Administrative expenses	-50	-47
Other operating activities, net	-123	-73
Special items, net	**-173**	**-120**

Restructuring costs of DKK 49m relates to various restructuring projects as part of the ongoing focus on cost and efficiency initiatives. Please refere to section 3.1 of the consolidated financial statements.

Gain on sale of activities to group companies in 2020, related to the material asset restructurting completed by Carlsberg and Chongqing Brewery Co. Please see section 5.3 of the consolidated financial statements.

SECTION 1.3

RELATED PARTIES

Carlsberg A/S, J.C. Jacobsens Gade 1, 1799 Copenhagen V, Denmark, holds all the shares in Carlsberg Breweries A/S.

The following transactions took place between Carlsberg Breweries A/S and the parent and the Carlsberg Foundation (the ultimate parent company) in 2021:

- Carlsberg Breweries A/S has paid a dividend to Carlsberg A/S.
- Carlsberg Breweries leases storage facilities in the researcher apartments.

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	2021	2020
Carlsberg A/S		
Other operating activities, net	-26	-13
Financial income	1	11
Loans	310	1,159
Receivables from the sale of goods and services	5	14
Trade payables	-4	-112
Associates and joint ventures		
Revenue	60	58
Receivables from the sale of goods and services	95	81
Subsidiaries		
Revenue	816	719
Cost of sales	-55	-45
Sales and distribution income	20	18
Administrative expenses	-13	-319
Other operating activities, net	145	188
Interest income	342	399
Interest expenses	-94	-124
Loans	19,675	18,610
Receivables	937	753
Borrowings	-25,463	-22,684
Trade payables and other liabilities etc.	-341	-438

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 250m (2020: DKK 262m) 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 2021 or 2020.

Dividends of DKK 5,431m (2020: DKK 6,844m) 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 2020	501,000	501,000
Capital reduction	-1,000	-1,000
31 December 2020	**500,000**	**500,000**
Capital reduction	-1,000	-1,000
31 December 2021	**499,000**	**499,000**

The share capital amounts to DKK 499m 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 2021, the share capital was reduced from DKK 500m to DKK 499m through a cash distribution of nominally DKK 1m at a (per 100) price of DKK 400,000, corresponding to a total cash distribution to Carlsberg A/S of DKK 4.0bn. This cash distribution reflects the share buy-backs that were carried out by Carlsberg A/S over a 12 month period from 5 February 2021.

The dividend paid out in 2021 relating to 2020 to the shareholder amounted to DKK 3,260m (paid out in 2020 for 2019: DKK 3,204m).

Carlsberg Breweries A/S proposes a dividend of DKK 6,986 per share, in total DKK 3,486m (2020: DKK 6,520 per share, in total DKK 3,260m). The proposed dividend is included in retained earnings at 31 December 2021.

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.

Reversal of impairments of financial assets includes DKK 328m relating to a loan made to the partner in CSAPL. Please refer to section 5.4 of the consolidated financial statements for a more detailed description.

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.

DKK million	2021	2020
Financial income		
Interest income	340	400
Dividends from subsidiaries and associates	5,681	7,106
Foreign exchange gains, net	-	395
Reversal of impairments of financial assets	345	-
Other	9	29
Total	**6,375**	**7,930**
Financial expenses		
Interest expenses	-560	-583
Foreign exchange losses, net	-395	-
Bank and commitment fees	-23	-35
Total	**-978**	**-618**
Financial items, net	**5,397**	**7,312**

SECTION 2.3

NET INTEREST-BEARING DEBT

Net interest-bearing debt

DKK million	2021	2020
Non-current borrowings	21,886	27,517
Current borrowings	31,151	22,790
Gross financial debt	**53,037**	**50,307**
Cash and cash equivalents	-3,291	-3,903
Net financial debt	**49,746**	**46,404**
Loans to Group companies and partners	-20,022	-18,610
Net interest-bearing debt	**29,724**	**27,794**

Changes in net interest-bearing debt		
Net interest-bearing debt at 1 January	**27,794**	**28,519**
Cash flow from operating activities	472	314
Cash flow from investing activities, excl. acquisition of subsidiaries, net	-5,631	-5,105
Cash flow from acquisition of subsidiaries, net	-	-1,688
Dividend to shareholder	3,260	3,204
Change in interest-bearing lending	-347	7
Capital reduction	4,000	2,500
Lease liabilities	2	306
Effect of currency translation	174	-263
Total change	**1,930**	**-725**
Net interest-bearing debt at 31 December	**29,724**	**27,794**

SECTION 2.4

BORROWINGS AND CASH

Gross financial debt

DKK million	2021	2020
Non-current borrowings		
Issued bonds	21,452	27,002
Bank borrowings	-17	-25
Lease liabilities	257	273
Other borrowings	194	267
Total	**21,886**	**27,517**
Current borrowings		
Issued bonds	5,573	-
Lease liabilities	17	17
Other borrowings	25,561	22,773
Total	**31,151**	**22,790**
Total non-current and current borrowings	**53,037**	**50,307**
Fair value	53,690	51,614

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	2021	2020
Gross financial debt at 1 January	**50,307**	**46,635**
Proceeds from issue of bonds	-	7,402
Instalments on and proceeds from borrowings, non-current	-118	314
Instalments on and proceeds from European Commercial Papers	1	-3,177
Change in current borrowings from Group companies	2,779	-1,044
Change in current loans to Group companies	-1,166	-1,236
Instalments on lease liabilities	-17	-17
Other	4	-10
Financing	**1,483**	**2,232**
Intercompany loans	1,166	1,236
Other, including foreign exchange adjustments and amortisation	81	204
Gross financial debt at 31 December	**53,037**	**50,307**

Cash and cash equivalents amounts to DKK 3,291m (2020: DKK 3,903m). Cash and cash equivalents are not associated with any significant credit risks.

SECTION 2.5

CREDIT RISK

Credit risk is the risk of a counterparty failing to meet its contractual obligations and so inflicting a loss on the Carlsberg Breweries Group. Group policy is that financial transactions may be entered into only with financial institutions with a solid credit rating, defined as BBB.

SECTION 2.6

FOREIGN EXCHANGE RISK RELATED TO NET INVESTMENTS AND FINANCING ACTIVITIES

Carlsberg Breweries A/S' main activity is 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 2021	Original principal	Effect of swap	After swap
CHF	980	1,347	2,327
NOK	1,937	589	2,526
EUR	33,407	-6,039	27,368
USD	199	2,573	2,772
DKK	7,333	-	7,333
SEK	3,978	619	4,597
Other	5,203	911	6,114
Total	**53,037**	-	**53,037**
Total 2020	**50,307**	-	**50,307**

Exchange rate sensitivity - other comprehensive income

	2021				2020	
DKK million	Average hedged rate	Notional amount	% change	Effect on OCI	Average hedged rate	Effect on OCI
USD/DKK	6.2054	-359	5%	-18	6.4540	-8
Other	-	-123	5%	-6	-	-6
Total				**-24**		**-14**

SECTION 2.7

INTEREST RATE RISK

Carlsberg Breweries A/S fills the role of internal bank in the Group. Part of this role is to implement the Group's interest rate risk target, which is to have a duration of 3 to 8 years.

The Company's loan portfolio consists of bilateral loan agreements, syndicated credit facilities and loans from the shareholder and subsidiaries.

Interest rate risks are mainly managed using bonds with fixed interests.

At the reporting date, 40% of the gross loan portfolio consisted of fixed-rate borrowings with interest rates fixed for more than one year (2020: 54%). At 31 December 2021, Carlsberg Breweries A/S borrowed DKK 25,463m from subsidiaries and associated companies (2020: DKK 22,685m), and provided interest-bearing loans to subsidiaries and associated companies of DKK 19,675m (2020: DKK 18,610m).

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

Interest rate risk

DKK million

2021	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 year	5,573	Fair value
EUR 500m maturing 6 September 2023	Fixed	0.7%	1-2 years	3,708	Fair value
EUR 1,000m maturing 28 May 2024	Fixed	2.6%	2-3 years	7,411	Fair value
EUR 500m maturing 30 June 2027	Fixed	0.5%	>5 years	3,694	Fair value
EUR 400m maturing 1 July 2029	Fixed	1.0%	>5 years	2,945	Fair value
EUR 500m maturing 11 March 2030	Fixed	0.7%	>5 years	3,694	Fair value
Total issued bonds		**1.6%**		**27,025**	
Total issued bonds 2020		**1.6%**		**27,002**	
Bank and other borrowings					
Floating-rate	Floating	0.8%	<1 year	81	Cash flow
Fixed-rate	Fixed	0.7%	>1 year	194	Fair value
Total bank and other borrowings		**0.7%**		**275**	
Total bank and other borrowings 2020		**0.7%**		**332**	

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

2021	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	3,708	7,411	-	-	10,333	21,452
Bank borrowings	-	-17	-	-	-	-17
Lease liabilities	17	14	15	15	196	257
Other	97	97	-	-	-	194
Total	**3,822**	**7,505**	**15**	**15**	**10,529**	**21,886**
Total 2020	**5,676**	**3,807**	**7,482**	**15**	**10,537**	**27,517**

Maturity of financial liabilities

DKK million

2021	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
Derivative financial instruments					
Derivative financial instruments, payables	502	502	-	-	441
Non-derivative financial instruments					
Financial debt gross	53,213	31,166	11,429	10,618	53,037
Interest expense	1,516	656	794	66	N/A
Trade payables and other liabilities	930	930	-	-	930
Contingent liabilities	1,151	1,151	-	-	-
Non-derivate financial instruments total	**56,810**	**33,903**	**12,223**	**10,684**	**-**
Financial liabilities	**57,312**	**34,405**	**12,223**	**10,684**	**-**
Financial liabilities 2020	**53,837**	**24,946**	**18,173**	**10,718**	**-**

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 2022 and 2023.

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 (2020: DKK -843m).

Hedging of raw material price risk

DKK million

	Sensitivity assuming 100% efficiency				Time of maturity
2021	Change	Effect on OCI	Tonnes purchased	Average price (DKK)	2022
Aluminium	20%	98	33,586	16,158	33,586
2020					2021
Aluminium	10%	27	22,723	10,687	22,723

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

2021	Income statement	Fair value receivables	Fair value payables	Fair value, net
Exchange rate instruments	-476	93	-271	-178
Other instruments	42	240	-163	77
Total	**-434**	**333**	**-434**	**-101**
2020				
Exchange rate instruments	132	139	-135	4
Other instruments	43	31	-	31
Total	**175**	**170**	**-135**	**35**

Cash flow hedges

DKK million

					Expected recognition
2021	Other comprehen-sive income	Fair value receivables	Fair value payables	Fair value, net	2022
Exchange rate instruments	-19	-	-7	-7	-7
Total	**-19**	**-**	**-7**	**-7**	**-7**
2020					2021
Exchange rate instruments	15	12	-	12	12
Total	**15**	**12**	**-**	**12**	**12**

SECTION 3

OPERATING ACTIVITIES

SECTION 3.1

OPERATING EXPENSES

Cost of sales

DKK million	2021	2020
Purchased finished goods and other costs	870	816
Total	**870**	**816**

Sales and distribution expenses

DKK million	2021	2020
Marketing expenses	594	483
Sales expenses	68	89
Distribution expenses	68	42
Total	**730**	**614**

Other operating activities, net

DKK million	2021	2020
Management fee from Group companies	217	264
Other, net	-71	-75
Total	**146**	**189**

SECTION 3.2

CASH FLOW FROM OPERATING ACTIVITIES

Cash flows

DKK million	2021	2020
Other non-cash items		
Share-based payments	42	29
Other items	-6	-1
Total	**36**	**28**
Change in working capital		
Receivables	-12	-138
Trade payables and other liabilities	-256	-101
Other provisions	82	-25
Adjusted for unrealised foreign exchange gains/losses	47	6
Total	**-139**	**-258**

SECTION 3.3

RECEIVABLES

Trade receivables comprise invoiced goods and services.

Receivables included in the statement of financial position

DKK million	2021	2020
Trade receivables	872	803
Other receivables	20,533	19,023
Total current receivables	**21,405**	**19,826**
Non-current receivables	318	261
Total	**21,723**	**20,087**

Receivables by origin

DKK million	2021	2020
Receivables from sale of goods and services	191	206
Receivables from Group companies	934	753
Loans to Group companies	19,675	18,610
Loans, fair value of hedging instruments and other receivables	923	518
Total	**21,723**	**20,087**

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

The fair value of receivables in subsidiaries corresponds to the carrying amount in all material respects.

Our customers were impacted by restrictions in response to the COVID-19 pandemic, 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 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	2021	2020
Salaries and other remuneration	599	464
Severance payments	3	3
Social security costs	5	3
Retirement benefit costs - defined contribution plans	37	19
Share-based payments	53	38
Other employee benefits	8	6
Total	**705**	**533**

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

Sales and distribution expenses	205	214
Administrative expenses	473	299
Total staff costs recognised by Parent Company	**678**	**513**
Remuneration of executive director recognised by Carlsberg A/S	27	20
Total	**705**	**533**

The Company had an average of 392 (2020: 388) 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 2021, 38 employees (2020: 46 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 989 (2020: DKK 783). The average contractual life at the end of 2021 was 1.2 years (2020: 1.2 years).

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 1.7 years (2020: 2.8 years).

Share-based payments

	Exercise price			Number
Performance shares	Fixed, weighted average	Executive directors	Other management personnel	Total
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**
Granted		50,805	36,467	87,272
Forfeited/expired/adjusted		-13,027	-26,218	-39,245
Exercised		-44,212	-31,389	-75,601
Performance shares outstanding at 31 December 2021		**136,178**	**76,730**	**212,908**
Share options				
Share options outstanding at 31 December 2019	518	114,984	-	114,984
Share options outstanding at 31 December 2020	**518**	**114,984**	**-**	**114,984**
Share options outstanding at 31 December 2021	**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 2021	422
Additional provisions recognised	170
Used during the year	-98
Provisions at 31 December 2021	**494**

DKK 34m of total provisions (2020: DKK 87m) fall due within one year and DKK 2m (2020: DKK 0m) 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	2021	2020
Statutory audit	2	2
Other assurance engagements	-	-
Tax advisory	-	-
Other services	-	-
Total	**2**	**2**

SECTION 5.3

ASSET BASE AND LEASES

The carrying amount of intangible assets was DKK 1,544m (2020: DKK 1,598m), and the carrying amount of property, plant and equipment was DKK 282m (2020: DKK 301m). Intangible assets comprises mainly brands of DKK 1,499m (2020: DKK 1,505m).

Of the depreciation and amortisation of DKK 75m (2020: DKK 71m), DKK 6m (2020: DKK 6m) were included in cost of sales whereas DKK 69m (2020: DKK 65m) were included in sales and distribution expenses.

Carlsberg Breweries A/S leases various properties and equipment. At 31 December 2021, the carrying amount of right-of-use assets amounted to DKK 275m (2020: DKK 289). During the year, additions amounted to DKK 2m (2020: DKK 302m) and depreciation to DKK 17m (2020: DKK 17). The lease expenses recognised in the income statement related to short-term leases and leases of low-value assets and amounted to DKK 0.1m (2020: 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 2021 is 22% (2020: 22%). The effective tax rate is -1.2% (2020: 2.6%) and is mainly impacted by non-taxable dividends of -24.6% (2020: -21.3%).

Hedging instruments recognised in other comprehensive income before tax amounts to DKK -19m (2020: DKK 15m) with a tax income of DKK 4m (2020: DKK -3m).

Deferred tax asset amounts to DKK 247m (2020: DKK 264m) and comprise mainly provisions of DKK 146m (2020: DKK 146m), loan costs of DKK 21m (2020: DKK 15m) and tax loss carry forwards etc. of DKK 79m (2020: DKK 69m). 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 505m (2020: DKK 628m) and mainly comprise intangible assets of DKK 106m (2020: DKK 131m) and other liabilities of DKK 399m (2020: DKK 497m). Deferred tax at 31

December, net is a deferred tax liability of DKK 258m (2020: DKK 364m).

The net changes in deferred tax of DKK 106m (2020: DKK 121m) are due to joint taxation contribution of DKK 15m (2020: DKK 39m), tax recognised in other comprehensive income DKK -4m (2020: DKK 3m) and recognised deferred tax in the income statement DKK 84m (2020: DKK 79m).

SECTION 5.4 (CONTINUED)

TAX

Not recognised tax assets amount to DKK 650m (2020: DKK 664m), primarily related to tax losses that are not expected to be utilised in the foreseeable future. Tax losses which will not expire amounts to DKK 251m (2020: DKK 260m). Tax losses relating to interest deductibility restrictions are considered expired.

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).

Income tax expenses

DKK million	2021 Income statement	2021 Other comprehensive income	2021 Total comprehensive income	2020 Income statement	2020 Other comprehensive income	2020 Total comprehensive income
Tax for the year can be specified as follows						
Current tax	22	-	22	107	-	107
Change in deferred tax during the year	-60	-4	-64	87	3	90
Adjustments to tax for prior years	-24	-	-24	-	-	-
Total	**-62**	**-4**	**-66**	**194**		**197**

SECTION 5.5

CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Carlsberg Breweries A/S has issued guarantees for loans etc. raised by subsidiaries and associates (non-consolidated share of loan) of DKK 1,672m (2020: DKK 2,193m).

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.

Carlsberg Breweries A/S is the shareholder (67%) of Carlsberg South Asia Pte Ltd, the parent company holding 100% and 90% of the shares in the businesses in India and Nepal respectively. Carlsberg Breweries A/S had serious disagreements with its Partner in Carlsberg South Asia Pte Ltd. Several of the disagreements pertaining to the Shareholders' Agreement between Carlsberg and its Partner, including the partner's right to exercise the put option, have been referred to arbitration in Singapore. The arbitration award is expected in H1 2022. Refer to detailed description in the consolidated financial statements section 3.4.

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.

SECTION 6

GENERAL ACCOUNTING POLICIES

The 2021 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 2021.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and in accordance with IFRS as endorsed by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Carlsberg Breweries Group's and the Parent Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Carlsberg Breweries Group's and the Parent Company's operations and cash flows for the financial year 2021.

Further, in our opinion the Management review includes a fair review of the development in the Carlsberg Breweries Group's and the Parent Company's operations and financial matters, of the result for the year, and of the Carlsberg Breweries Group's and the Parent Company's financial position, as well as describing the significant risks and uncertainties affecting the Carlsberg Breweries Group and the Parent Company.

We recommend that the Annual General Meeting approve the Annual Report.

Copenhagen, 25 February 2022

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

Henrik Poulsen
Deputy Chair

Cees 't Hart

Heine Dalsgaard

Thomas Paludan-Müller

Eva Vilstrup Decker

REPORT

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 28-114) give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2021 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 2021 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and in accordance with IFRS as endorsed by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of Carlsberg Breweries A/S for the financial year 1 January to 31 December 2021 comprise income statement and statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Carlsberg Breweries A/S on 28 April 2017 for the financial year 2017. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of five years including the financial year 2021.

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 2021. 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 originating 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), locally imposed duties, 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. Finally, we assessed the adequacy of disclosures relating to the revenue recognition.

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, 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. .	Our audit procedures included considering the appropriateness of the accounting policies for assessing the recoverability of the carrying amount of goodwill and brands and assessing compliance with the accounting standards. In addressing the risks, we considered the appropriateness of Management's defined CGUs within the business. We evaluated whether there were factors requiring Management to change their definition. We examined the methodology used by Management to assess the carrying amount of goodwill and brands assigned to CGUs, and the process for identifying CGUs that require impairment testing to determine compliance with IFRS. We walked through and tested relevant controls related to assessing the carrying amount of goodwill and brands. 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, pages 3-26.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and in accordance with IFRS as endorsed by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter 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.

Hellerup, 25 February 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Mogens Nørgaard Mogensen State Authorised Public Accountant mne21404	Michael Groth Hansen State Authorised Public Accountant mne33228

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