Carlsberg Breweries A/S

CVR No. 25 50 83 43

Annual Report for 2014

(15th financial year)

Contents

MANAGEMENT REVIEW
FIVE-YEAR SUMMARY – CARLSBERG BREWERIES GROUP

	2010	2011	2012	2013	2014
Sales volumes, gross (million hl)					
Beer	136.5	139.8	140.9	138.7	134.5
Other beverages	22.5	22.2	22.0	21.5	22.7
Sales volumes, pro rata (million hl)					
Beer	114.2	118.7	120.4	119.7	122.8
Other beverages	19.3	19.2	19.1	19.7	21.0
DKK million					
Income statement					
Net revenue	60,054	63,561	66,468	64,350	64,506
Operating profit before special items	10,246	9,877	9,909	9,862	9,345
Special items, net	-249	605	-1,812	-442	-1,245
Financial items, net	-2,137	-1,908	-1,735	-1,486	-1,169
Profit before tax	7,860	8,574	6,362	7,934	6,931
Corporation tax	-1,847	-2,156	-1,529	-2,025	-1,883
Consolidated profit	6,013	6,418	4,833	5,909	5,048
Attributable to:					
Non-controlling interests	609	543	638	478	524
Shareholders in Carlsberg Breweries A/S	5,404	5,875	4,195	5,431	4,524
Statement of financial position					
Total assets	132,148	136,195	141,948	140,519	125,281
Invested capital	104,873	105,992	109,096	106,511	91,814
Invested capital excluding goodwill	62,242	61,201	63,388	57,551	47,474
Interest-bearing debt, net	32,847	30,780	31,639	33,407	35,261
Equity, shareholders in Carlsberg Breweries A/S	52,544	55,572	59,529	57,063	41,828
Statement of cash flows					
Cash flow from operating activities	11,225	9,789	10,138	8,397	7,452
Cash flow from investing activities	-6,242	-4,876	-5,888	-7,985	-6,696
Free cash flow	4,983	4,913	4,250	411	756

Financial ratios						
Operating margin	%	17.1	15.5	14.7	15.3	14.5
Return on invested capital (ROIC)	%	9.8	9.4	9.0	9.2	9.0
Return on invested capital excluding goodwill (ROIC excl. goodwill)	%	16.3	15.8	15.4	15.6	16.6
Equity ratio	%	39.8	40.8	41.9	41.3	38.4
Debt/equity ratio (financial gearing)	x	0.57	0.50	0.50	0.55	0.63
Interest cover	x	4.80	5.18	5.71	6.64	8.00
Cash flow from operating activities per share (CFPS)	DKK	22,405	19,539	20,236	16,760	14,874
Free cash flow per share (FCFPS)	DKK	9,946	9,806	8,483	820	1,509
Dividend per share (proposed)	DKK	-	-	1,827	2,435	2,741
Payout ratio	%	-	-	22	22	30
Employees						
Full-time employees (average)		41,278	42,552	41,614	38,611	46,738

The effect of the change in accounting policies from the implementation of IFRS 10-12 as of 1 January 2014 is recognised in the opening balance at 1 January 2013 in accordance with the specific transition requirements in the standards. Comparative figures for 2013 have been restated accordingly.

ACTIVITIES OF THE GROUP

The Carlsberg Breweries Group is one of the leading brewery groups in the world, with a large portfolio of beer and other beverage brands. 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.

BUSINESS DEVELOPMENT

Our market share performance is proof of our successful commercial strategy, an important part of which is to ensure that we have a strong portfolio of both international premium brands and local power brands to offer to our customers and consumers. During 2014, we grew all our international premium brands – Carlsberg, Tuborg, Kronenbourg 1664, Grimbergen and Somersby – and achieved strong results for our local power brands.

In 2014, the Carlsberg brand grew 1% in its premium markets, with particularly strong performance in India, China and France, while the brand declined in Eastern Europe due to the overall market decline. Several important activities took place during the year, such as activation in 66 countries of the English Premier League sponsorship, the UEFA EURO 2016™ activation, which kicked off in September, a step-up in digital marketing activities, and, last but not least, commencement of the roll-out of the latest communication platform with the taglines "Probably the best beer in the world" and "If Carlsberg did".

The Tuborg brand grew strongly, by 24%, as a result of impressive growth in Asia, particularly in China and India. The brand has become the fastest growing international premium brand in China and the no. 1 international premium brand in India. During the year, we continued to deploy the brand rejuvenation programme and strong global consumer programmes.

Our French brewery Brasseries Kronenbourg celebrated its 350th anniversary in 2014, and Kronenbourg 1664 delivered 9% volume growth for the year. The growth was partly the result of easy comparisons with the previous year, but it was also driven by market share gains in France, growth in export markets and further roll-outs in new markets. 1664 Blanc achieved good results in several Asian markets.

Somersby continued its very successful progression, growing 43%. It was once again the fastest growing cider brand among the top 10 biggest ciders globally and is now available in 43 markets across the world. The achievement was driven by category growth in existing markets, the global activation platform "Friendsie", line extensions in established markets and launches in new markets.

Our Belgian abbey ale, Grimbergen, grew 27%, and since 2011 it has been the fastest growing international abbey beer. We continued to expand the brand's footprint, as a result of which it is now available in 36 markets globally.

2014 RESULTS

In 2014, the Group's net revenue was flat versus 2013. In organic terms, net revenue grew by 2% as the positive price/mix of 3% more than offset the organic decline in total volumes of 2%. Reported net revenue was impacted by -6% from currencies and a net acquisition impact of +4%. The negative currency impact was mainly due to the significant weakness of the Russian rouble and the Ukrainian hryvnia.

Organically, cost of sales per hl grew slightly as a result of negative operational leverage and write-off of obsolete stocks in Eastern Europe. In reported terms, cost of sales per hl declined by 2% due to the currency impact. Gross profit grew organically by 2%, while the organic growth in gross profit per hl was 4%. The gross profit margin was up organically by 40bp to 50.0%. The reported gross profit margin was 49.3%.

Marketing, sales and distribution expenses amounted to DKK 18,695m. The increase of 3% compared with 2013 was mainly due to higher logistics costs, primarily in Eastern Europe, and higher sales expenses. Administrative expenses increased by 5% to DKK 4,590m, primarily as a result of the acquisition impact in Asia. Other operating activities amounted to DKK +311m (DKK -117m in 2013). The increase was partly due to a terminated licence agreement in Asia. The Group's share of operating profit in associates and joint ventures was DKK 405m (DKK 358m in 2013). Total operating expenses thus grew by approximately 2%.

Organically, Group operating profit grew by 1%. Strong performance in Western Europe and Asia more than offset the profit decline in Eastern Europe. Reported operating profit was DKK 9,345m, impacted by a negative currency impact of DKK 789m, mainly from the weaker Eastern European currencies. Group operating profit margin declined 80bp to 14.5%, primarily as a result of the acquisition impact from Asia.

Net special items (pre-tax) amounted to DKK -1,245m and were particularly impacted by the non-cash write-down of DKK -703m related to the closure of two breweries in Russia. In addition, special items included costs related to other restructuring measures across the Group, connected, among other things, with optimisation and standardization measures in Western Europe. A specification of special items is included in section 3.1 of the consolidated financial statements.

Net financial items were positively impacted by lower average funding costs and amounted to DKK -1,169m against DKK -1,484m in 2013. Net interest costs were DKK -1,161m compared to DKK -1,425m in 2013, and other net financial items were DKK -8m versus DKK -59m in 2013.

Tax totalled DKK -1,883m against DKK -2,025m in 2013. The tax rate was 27.2%.

Non-controlling interests were DKK 524m (2013: DKK 478m), impacted by the increased ownership in Chongqing Brewery Group.

Carlsberg's share of net profit was DKK 4,524m (2013: DKK 5,431m), impacted negatively by the higher special items in 2014.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014, Carlsberg had total assets of DKK 125bn against DKK 141bn at 31 December 2013. Invested capital amounted to DKK 91.8bn against DKK 106.5bn at 31 December 2013.

Total assets and invested capital were both impacted by a significant reduction in intangible assets and property, plant and equipment from foreign exchange adjustments, primarily RUB and UAH. This was partially offset by the increase from the acquisition of Chongqing Beer Group Assets Management and investments in new breweries in Asia. Liabilities offset in the invested capital remained stable. Total assets in Russia and Ukraine decreased by DKK 23.9bn as of 31 December 2014 compared with the DKK value they would have had if translated at the exchange rates applied at year-end 2013.

Assets

Intangible assets were DKK 70.5bn (DKK 83bn at 31 December 2013). Property, plant and equipment declined to DKK 28.5bn from DKK 30.8bn at 31 December 2013. The total decrease in intangible assets and property, plant and equipment of DKK 14.8bn was mainly due to foreign exchange adjustments, primarily related to the rouble-denominated assets and additions of DKK 1.9bn from acquisition of entities.

Financial assets amounted to DKK 7.2bn against DKK 6.4bn at 31 December 2013. The increase was due to recognised profits from investments in associates and joint ventures as well as an increase in deferred tax assets.

Inventories and receivables amounted to DKK 11.4bn (DKK 12.3bn at 31 December 2013), primarily driven by lower receivables in Russia due to the development in the exchange rate. In rouble terms, receivables remained largely unchanged compared with 2013. Other receivables etc. totalled DKK 4.9bn against DKK 4.5bn at 31 December 2013. Cash amounted to DKK 2.4bn at 31 December 2014. The increase of DKK 1.2bn versus 31 December 2013 was the result of acquisition of entities, higher CapEx and dividends paid.

Liabilities

Equity decreased to DKK 45.4bn compared to DKK 60.3bn at 31 December 2013. DKK 41.8bn was attributed to shareholders in Carlsberg Breweries A/S and DKK 3.6bn to non-controlling interests.

The decline in equity of DKK 15.2bn attributed to shareholders in Carlsberg Breweries A/S was mainly due to foreign exchange losses of DKK -17.3bn, profit for the period of DKK +4.5bn, payment of dividends to shareholders of DKK -1.2bn, and retirement benefit obligations of DKK -1.2bn.

Liabilities were DKK 79.9bn compared to DKK 80.3bn at 31 December 2013. The most notable change was the increase in long-term borrowings and the decrease in short-term borrowings, reflecting the refinancing of a EUR 1bn bond that matured in May with another EUR 1bn bond with a coupon of 2.5%.

CASH FLOW

Operating profit before depreciation and amortisation was DKK 13,443m (DKK 13,723m in 2013).

The change in trade working capital was DKK -171m (DKK +606m in 2013). The change in trade working capital was impacted by a decrease in payable excise duties. Average trade working capital to net revenue (MAT) was -3.6% at the end of 2014, in line with 2013. The change in other working capital was DKK -725m (DKK -698m in 2013), partly due to lower VAT payable, temporarily impacted by the implementation of the BSP1 structure in three new countries as of October 2014, and an increase in other receivables from sale of assets. Paid net interest etc. amounted to DKK -1,968m (DKK -2,079m in 2013). The decline was mainly due to lower funding costs. Cash flow from operating activities was DKK 7,452m against DKK 8,397m in 2013.

Cash flow from investing activities amounted to DKK -6,696m against DKK -7,986m in 2013. Operational investments totalled DKK -5,538m (DKK -5,361m in 2013), whereas financial investments amounted to DKK -1,158m, down from DKK -2,618m in 2013, impacted in 2014 by the purchase of Chongqing Beer Group Assets Management and in 2013 by the acquisition of shares in Chongqing Brewery Group.

Free cash flow amounted to DKK 756m versus DKK 411m in 2013.

FINANCING

At 31 December 2014, gross interest-bearing debt amounted to DKK 40.4bn and net interest-bearing debt to DKK 36.3bn. The difference of DKK 4.1bn comprised other interest-bearing assets, including DKK 2.4bn in cash and cash equivalents.

Of the gross interest-bearing debt, 95% (DKK 38.5bn) was long-term, i.e. with maturity more than one year from 31 December 2014. Of the net financial debt, 78% was denominated in EUR and DKK (after swaps) and 69% was at fixed interest (fixed-interest period exceeding one year).

STRUCTURAL CHANGES

During 2014, we took further steps to strengthen the Group's growth profile. In Vietnam, we increased our ownership of South-East Asia Brewery and Hanoi-Vung Tau Beer to 100%, while in China we completed the acquisition of Chongqing Beer Group Assets Management. In Europe, we acquired 51% of Zatecky Pivovar in the Czech Republic and announced the merger of our Greek business Mythos with Olympic Brewery, creating a strong no. 2 in the Greek market. The merger is pending antitrust approval.

INCENTIVE PROGRAMMES

In 2014, a total of 95,000 share options with an exercise price of DKK 583.10 were granted to the Executive Board. In addition, a total of 339,541 performance shares with an exercise price of DKK 0 were granted to 333 members of the long-term incentive plan of which 40,925 performance shares were granted to the Executive Board. The number of performance shares in this programme is preliminary, as the final number will be determined on the basis of the achievement of specific performance criteria as described in the remuneration report in the Annual Report.

In 2015, a total of approximately 92,000 share options will be granted to the Executive Board. The precise number will be calculated using the Black-Scholes formula and on the basis of an exercise price calculated as an average of the share price on the first five trading days after publication of the present Company Announcement. In addition, approximately 510,000 performance shares with an exercise price of DKK 0 will be granted to 335 members of the long-term incentive plan of which approximately 63,000 will be granted to the Executive Board. The preliminary number will be based on the average share price of the trading days before and after the publication of the present Company announcement.

RISK MANAGEMENT

At Carlsberg we consider effective risk management an integral part of our business operations as it reduces uncertainty, helps the Group achieve its strategic ambition and facilitates value creation for all stakeholders.

The Carlsberg Breweries Group's comprehensive approach to risk management involves the identification, assessment, prioritization and economic management of risks that might prevent the Group from achieving its strategic objectives. The Risk Management Policy sets out the requirements for the risk management process in the Group.

Risk management framework

The Group's risk management framework is a systematic process of risk identification, analysis and evaluation, providing a comprehensive overview of strategic risks and enabling us to mitigate and monitor the most significant risks.

Our risk management approach is top-down and covers all major entities across regions, markets and functions. The framework is based at the strategic level to ensure that the risks related to carrying out the Group's strategy – both short-term and long-term – are identified and that relevant preventive actions are taken.

Risk management governance structure

Ultimately, the Supervisory Board is responsible for risk management. The Supervisory Board has appointed the Audit Committee to act on behalf of the Supervisory Board, and the Committee monitors the overall strategic risk exposure and individual risk factors associated with the Group's activities. Monitoring is mainly performed in connection with the quarterly reporting process. The Audit Committee adopts guidelines for key areas of risk, monitors developments and ensures that plans are in place for the management of individual risk factors, including commercial and financial risks.

The Executive Committee (ExCom) is responsible for reviewing the overall risk exposure associated with the Group's activities. Risks are assessed according to a two-dimensional heat map rating system that estimates the impact of the risk on net revenue or brand/image and the likelihood of the risk materialising.

Based on this assessment, ExCom updates the existing heat map to reflect changes in perceived risks to the business, and a number of high-risk issues for the coming year are identified. In addition, any risks in relation to the Group strategy for the subsequent three-year period are identified and appropriate actions are agreed upon.

In accordance with the Risk Management Policy, ExCom identifies owners of short term and long-term risks, who are then responsible for mitigating the risks through a programme of risk-reducing activities.

Local entities and Group functions are responsible for the identification, evaluation, qualification, recording and reporting of the management of strategic risks at local level. Local-level risk assessment follows the same principles as Group-level risk assessment and is based upon the heat map described above. The local risk review is carried out regularly, following which local risk owners are appointed and given responsibility for mitigating the risks through a programme of risk-reducing activities.

A formal procedure is in place for ongoing identification, assessment and reporting during the year of any new or emerging risks that are determined to have a material impact upon the business.

Group Internal Audit is responsible for facilitating and following up on risk-reducing activities/action plans for the most significant risks in the Carlsberg Breweries Group.

The financial risks, including foreign exchange, interest rate, and credit and liquidity risks, are described in sections 4.5-4.7

Risk assessment 2015

Local risk management workshops and heat mapping were carried out during the third quarter of 2014. In the fourth quarter of 2014, ExCom carried out the annual risk management workshop to evaluate the adequacy of the existing heat map. The review resulted in a revision of the identified risks, and a revised set of high risks for 2015 was identified.

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

The high risks identified for 2015, placed in the upper-right quartile of the risk heat map, were the Russian economy, duties and regulation, value realisation of BSP1, and the ability to increase prices and trade term pressure.
Other risks identified for 2015, though not classified as high risks, were value realization of the recent acquisitions in China, delivery of cost savings and satisfactory customer service levels by the Carlsberg Supply Company (CSC), the ability of employees and the organisation as a whole to successfully incorporate changes in structure and ways of working, particularly in Western Europe, and possible relative underinvestment in key brands.

The Group closely monitors and undertakes risk-reducing activities to minimise the likelihood and potential impact of the identified risks.

Russian economy

Description

In 2014, the rouble-denominated share of operating profit (before not allocated costs) as around 25%. While this number will be lower in 2015, the development of the Russian economy, including GDP growth and the exchange rate, may have a negative impact on the Carlsberg Breweries Group's results. The Russian economy was under increasing pressure during 2014, and the World Bank and the IMF estimate GDP growth in 2015 of -2.9% and -3% respectively.

Possible impact

The negative Russian macroeconomic situation impacts employment, income levels and savings, ultimately driving a negative development in consumer sentiment. In addition, the import sanctions on many agricultural products have led to increasing inflation for staple food items. Combined, these factors may impact the ability of consumers to buy beer.

Mitigation

When developing our plans and budget for 2015, we have applied very specific, flexible assumptions and prepared detailed scenario plans to enable a fast response to changes in the assumptions. We continuously monitor the development of and expectations for the Russian economy using a variety of data sources so that we are able to execute our contingency plans for different economic scenarios. In addition, in January 2015 we announced the closure of two breweries in Russia to further optimise our structure and reduce capital employed.

Duties and regulation

Description

Beer is a highly taxable consumer product. In any market, the national government may decide to increase beer duties to increase state revenues or as a means to reduce alcohol consumption. In addition, several of the Group's markets operate with restrictive measures relating to sales, availability and advertising. In Russia specifically, discussions are ongoing to reduce PET pack sizes. Such measures could be further strengthened or implemented in our markets as a means to reduce alcohol consumption..

Possible impact

The Carlsberg Breweries Group views beer duties as a tax on the consumer and, as a general rule, any increase in beer duties is therefore added to the sales price of the beer. Consequently, major changes in beer duties may reduce the demand for the Group's products. Likewise, tightening of regulations may impact consumer behaviour and consequently result in decreased demand. Decreasing demand may negatively impact the Group's net revenue and operating profit.

Mitigation

The Group closely monitors the risks related to increases in duties in all its markets and acts to limit the potential impact. Local markets are supported by the Group's central public affairs department. This support includes lobbying tools and guidance as well as economic impact assessments to promote informed political decisions. Through targeted campaigns in local markets, the Group works to limit the negative consequences of inappropriate consumption of beer and other alcoholic beverages, and actively promotes responsible sale and consumption to reduce the risk of regulatory tightening. We actively engage in industry-wide discussions and actions through the Global Brewers Initiative (GBI), the International Alliance for Responsible Drinking (IARD) and local brewers' associations to secure joint lobbying efforts and voluntarily develop industry codes of conduct.

Value realisation of BSP1

Description

2015 is the third year of implementation of the supply chain integration and business standardisation project (BSP1) in Western Europe. The implementation began in 2013, and by the end of 2014 six markets were on the system. The project is a key enabler for the transformation of the operating model in Western Europe. It will lead to increased speed, optimised asset utilization and improved capabilities, and will yield significant long-term benefits in the Western European region.

Possible impact

Implementation of the BSP1 project entails significant changes in structures, ways of working and responsibilities. If implementation of the project or adoption of the new operating model is hampered, this could limit the benefits of the project and have a negative impact on regional and Group earnings.

Mitigation

In order to ensure that we reap the full benefits of BSP1 and the business transformation, a number of activities are ongoing. They include post-go-live assessment of ways of working to identify issues and create solutions; accumulating and adapting to lessons learned from past roll-outs; securing key resources across the markets; and, when and if appropriate, reorganizing BSP1 and relevant teams to ensure clear responsibilities at all times during and after the roll-outs. In addition, the focus is on securing and improving end-to-end collaboration between local commercial operations and the central supply chain organisation to ensure that efficiencies and improvements are achieved as planned.

Ability to increase price and trade term pressure

Description

Competition in most of the Group's markets is generally fierce. Across most markets, there is an ongoing shift in the marketplace from on- to off-trade and, in some markets, to low-priced outlets within the off-trade. With the macroeconomic situation in many markets still under pressure, customers are becoming increasingly aggressive in their demand for promotions and favourable trade terms.

Possible impact

A difficult pricing environment and stronger trade term pressure from our customers could have a negative impact on our net sales prices. Lower net revenue per hl would have a negative impact on margins. Conversely, not accommodating pricing and trade term pressure from customers could have a negative impact on volumes, reducing operational leverage.

Mitigation

Balancing volume and value is the key to the way we approach our customers. The Group works with a sophisticated value management toolbox with the aim of increasing net revenue per hl, while simultaneously strengthening our position with customers. We continuously develop the value management levers and are currently rolling out a trade term module across our large markets. By combining value management with ROMI (return on marketing investment), we apply a holistic commercial approach to our customers to drive a positive development in the value of the beer category. In addition, by delivering a portfolio of value-generating innovations for both our international premium brands and our local power brands, we will drive a positive development in net revenue per hl.

CORPORATE SOCIAL RESPONSIBILITY

The long-term success of the Carlsberg Breweries Group is dependent on what we do, what we say and how we behave when we interact with our stakeholders. We recognise the importance of actively building a strong, sustainable corporate brand position for the Carlsberg Breweries Group while ensuring that our people are well prepared to manage any potential crises and issues in a sensitive, responsible manner.

Three priorities

This strategic lever has three priorities:

1. Raise our reputation as a responsible global brewer among key stakeholder groups, as this is critical for securing our licence to operate and grow.

2. Integrate corporate social responsibility (CSR) across the value chain to ensure that we make decisions that have a positive impact on our business, the environment and the communities in which we operate.
3. Enhance the image of the beer category in collaboration with other global brewers and brewers' associations in order to nurture the health of the beer category and contribute to its growth.

Actions and activities

Reputation and stakeholder management

We continued our strategic approach to managing and measuring our corporate reputation among key stakeholders, including consumers, customers, employees, journalists and politicians. Reputation data gives strategic guidance to our stakeholder relations, and reputation management is now closely embedded at Group level as well as in key markets across all three regions. We will continue the roll-out of this approach to achieve even broader coverage in 2015, while maintaining active stakeholder dialogues about future regulation, taxation etc.

Integrating CSR

The execution of our global CSR strategy continued, focusing on four priorities: managing environmental efficiency and safety; managing sustainable packaging; promoting responsible drinking; and ensuring compliance with our CSR policies.

Environmental efficiency and safety

In 2014, our main focus was on improving our environmental and safety management in the newly acquired operations in China. The integration of Chongqing Brewery Group impacted our environmental efficiency slightly. During the year, we conducted a series of internal audits and identified opportunities to improve performance. Across the Group, our safety record improved, while our environmental efficiency decreased slightly, mainly due to the integration of Chongqing Brewery Group into the reporting scope.

Sustainable packaging

At the World Economic Forum in Davos in January 2014, we launched the Carlsberg Circular Community. This is a partnership-driven initiative that seeks to develop the next generation of packaging products optimised for recycling, reuse and upcycling.
During the year, we initiated a number of projects in order to deliver innovative Cradle-to-Cradle® products in 2016.

Responsible drinking

We launched a new Responsible Drinking Policy to further step up our efforts to position beer as the responsible choice and drive a proactive approach to tackling the misuse of alcohol. Our approach was guided by a number of individual and industry-wide commitments related to high-risk areas, such as underage drinking and drink driving, and enabling consumers to make informed choices. These commitments translated into local activities in our markets, such as the "Drink with Respect" campaign in Denmark and employee ambassadors at the Future Music Festival Asia in Malaysia.

Compliance with our CSR policies

In 2014, we launched an updated Business Ethics Policy globally and initiated a Group-wide awareness campaign to manage compliance risks. We strengthened our efforts to ensure global implementation of and compliance with our policies, with specific focus on business ethics and on labour & human rights. To understand and address potential risks in our new market of Myanmar, we carried out an impact assessment in collaboration with the Danish Institute for Human Rights.

Promoting the image of the beer category

In close partnership with other brewers and brewers' associations across the world, we have strengthened our efforts to promote the beer category and offer ourselves as reliable partners, contributing positively to local societies around the world. Among the highlights in 2014 was the launch of the Europe-wide beer category campaign "Love Beer", backed by Europe's 5,000 brewers.
The campaign was launched in a few markets in 2014 and will be further rolled out across Europe in 2015.

CSR reporting

The Carlsberg Group publishes an annual CSR report that serves as our United Nations Global Compact Communication on Progress. Furthermore, it enables us to live up to our legal responsibility for CSR disclosure under section 99a of the Danish Financial Statements Act.

The full 2014 CSR report, including the KPMG assurance statement and GRI table, is available online at www.carlsberggroup.com/csr/reports.

Our CSR policies

Business ethics

In the Carlsberg Breweries Group, we believe in fair and transparent business practices. Our Business Ethics Policy and Guidelines seek to ensure ethical business conduct by guiding our employees when they face dilemmas of a business ethics nature in their day-to-day tasks. The Business Ethics Policy clearly sets out our positions.

Community engagement

Being engaged with society is one of the Carlsberg Breweries Group's winning behaviours. We recognise our impact and the opportunity to engage with the communities where we operate – and we are committed to making a positive contribution.

Environment

The sustainability of the environment plays a vital role within our business. Most of our raw materials and ingredients are sourced directly from nature. The continued success of our business is directly linked to the health of the environment. However, as we grow, our environmental impact increases, and we are therefore continually looking for ways to reduce our impact on the environment and climate.

Health & safety

We continuously work to build a safe working environment for all our employees and contractors. Every accident is one too many. We strive towards zero accidents by instilling a culture of safety in each and every one of our employees.

Labour & human rights

Our employees are our single most valuable resource and are vital for the Carlsberg Breweries Group's continued success. A globally implemented Labour and Human Rights Policy is a fundamental element in ensuring that our employees are fully engaged and that we can drive the growth of our business. The implementation of the policy forms an integral part of the core values for which the Carlsberg Breweries Group stands.

Marketing communication
Our Marketing Communication Policy sets the standards to ensure that our marketing, advertising and other consumer information reflect our overall commitment to promoting responsible use of our products, on the right occasions, by people above the legal drinking age.

Responsible drinking
Beer brings people together in joyful and happy moments, and that is what the Carlsberg Breweries Group, as a responsible brewer, wants to be a part of. We are conscious that beer is an alcoholic beverage and that its misuse can have severe and harmful effects on people. We are addressing these potentially negative effects of misuse of alcohol through the provisions in our Responsible Drinking Policy.

Supplier and Licensee Code of Conduct
We are committed to improving our environmental and social footprint throughout the value chain. We implement necessary actions to understand, monitor and improve the social and environmental aspects of our sourcing, thereby protecting our reputation as a responsible brewer.

DIVERSITY

We refer to the description in the consolidated financial statement of Carlsberg A/S.

THE AUDIT COMMITTEE

In 2014, the Audit Committee consisted of three members of the Supervisory Board: Donna Cordner (Chairman), Jess Søderberg and Richard Burrows. All qualify as being independent of the Company and all possess the relevant financial expertise.

The Audit Committee is appointed for one year at a time. In December 2014, Donna Cordner, Jess Søderberg and Richard Burrows had their membership extended, with Donna Cordner continuing as Chairman until the Supervisory Board meeting in March 2015, when new members will be elected.

The Audit Committee works according to Terms of Reference, which are reviewed and approved annually by the Supervisory Board, and a detailed annual meeting plan approved by the Supervisory Board prior to the beginning of each financial year. The Supervisory Board approved the Audit Committee meeting plan for 2015 at the Supervisory Board meeting in December 2014 and the current Terms of Reference at the Supervisory Board meeting in February 2015.

The Terms of Reference are available on the Company's website. In accordance with its Terms of Reference and annual meeting plan, the Audit Committee has primarily carried out the following work:

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

b) Monitored the effectiveness of the internal control and risk management systems. This work included regular updates from Group Finance with regard to the Company's financial control framework. The Audit Committee reviewed the Company's relevant policies in relation to internal control and risk management systems and the financial reporting process, and received reports and presentations from Group Finance about the effectiveness of these systems as well as the scope, plans and status for controls throughout the year. The Audit Committee also reviewed quarterly reports from Group Internal Audit on risk management, including the risk management process at the Company and the status of risks identified in the strategic risk map and heat map. The Audit Committee monitored the development and implementation of a global expense policy. Finally, the Audit Committee recommended to the Supervisory Board that the Carlsberg Breweries Group compliance organisation and programme should be enhanced. On this basis, a Chief Compliance Officer was hired and tasked with strengthening the Group-wide compliance structure, policy framework and processes. In addition, an enhanced business ethics programme, including two new policies for this area, was implemented.

c) Monitored the internal audit function. The work included a review and approval of internal audit plans and a review of the internal audit function and competences.

d) Monitored the external audit of financial reporting and the independence of the external audit. In 2014, KPMG in Denmark (up to then the auditor of the Carlsberg Breweries Group) and EY decided to combine their operations. Following this, KPMG International formed a new Danish firm, KPMG 2014 P/S (now KPMG Statsautoriseret Revisionspartnerselskab).

On this basis, in March 2014 the Audit Committee decided to recommend to the Supervisory Board that it should appoint KPMG 2014 P/S as the Supervisory Board's candidate for election by the Annual General Meeting as the Carlsberg Breweries Group's external auditor. The Audit Committee's monitoring of the external auditor's work included discussions regarding audit planning and scope, terms of engagement, audit fees and a review at each meeting of the external auditor's work and findings.

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

At each Audit Committee meeting, the Audit Committee examines relevant issues with the external auditors and the head of Group Internal Audit, and the Committee invites other relevant function heads from the Carlsberg Breweries Group organisation depending on the topics being discussed at the meeting. The heads of Group Finance and Group Accounting are usually invited to participate in Audit Committee meetings. In 2014, the Audit Committee held regular meetings with the external auditors and Group Internal Audit as well as with other relevant internal function heads without the presence of the Executive Board of the Company.

INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO THE FINANCIAL REPORTING PROCESS

Overall control environment

The Supervisory Board and the Executive Board have overall responsibility for the Group's control environment. The Audit Committee appointed by the Supervisory Board is responsible for monitoring the internal control and risk management systems related to the financial reporting process on an ongoing basis.

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

The internal control and risk management systems are designed to mitigate rather than eliminate the risks identified in the financial reporting process. Internal controls related to the financial reporting process are established to detect, mitigate and correct material misstatements in the consolidated financial statements. The monitoring of risk and internal controls in relation to the financial reporting process are anchored by the reporting of the maturity level of the control environment using the Company's financial control framework.

Risk assessment

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

The risk related to each accounting process and account in the consolidated financial statements is assessed based on quantitative and qualitative factors. The associated financial reporting risks are identified based on the evaluation of the likelihood of them materialising and their potential impact. The identified areas are divided into accounts with high, medium or low risk. High-risk areas are accounts that include significant accounting estimates, including goodwill and special items, and the sales and purchase process. The Company's financial control framework reporting covers relevant Group companies and functions to the level where high-risk accounts are at least 80% covered and medium-risk accounts at least 60%. Low-risk accounts are not covered.

Control activities

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

Based on the risk assessment, the Group has established minimum requirements for the conduct and documentation of IT and manual control activities to mitigate identified significant financial reporting risks. The Company's financial control framework covers 132 controls relating to 23 accounting processes and areas.

The relevant Group companies and functions must ensure that the Company's financial control framework is implemented in their business and that individual controls are designed to cover the predefined specific risk. The local management is responsible for ensuring that the internal control activities are performed and documented, and is required to report compliance quarterly to the Group's finance organisation.

The entities in the Group are dependent on IT systems. Any weaknesses in the system controls or IT environment are compensated for by manual controls in order to mitigate any significant risk relating to the financial reporting. This includes the implementation of compensatory controls during implementation of the supply chain integration and business standardisation project (BSP1), given that an increased number of people will have access to systems. During 2014, four more countries implemented the project.

Information and communication

The Group has established information and communication systems to ensure that accounting and internal control compliance is established, including a Finance Manual, a Controller Manual and internal control requirements.

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

Monitoring

The Audit Committee's monitoring covers both the internal control environment and business risk. Monitoring of the internal control environment is covered by the Company's financial control framework. The business risk is assessed and reviewed at multiple levels in the Group, including periodic review of control documentation, controller visits and audits performed by Group Internal Audit.

Additionally, business risks are discussed and monitored at business review meetings between ExCom, regional management and local management at which potential financial impacts are identified.

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

2015 EARNINGS EXPECTATIONS

While we expect our Western Europe and Asia regions to continue their positive development, the expected GDP decline and currency devaluation in Russia and Ukraine will put significant pressure on the Group's overall performance. To mitigate this, in our planning for 2015 we have taken tough decisions aiming at further improving our cost-effectiveness, while also continuing to invest in our brands and our longer-term capabilities for competitiveness. Clearly the Eastern European business is working on different scenarios and plans that can be executed if the environment changes.

We expect the market development in our three regions to be mixed for 2015:

• The Western European beer markets are expected to be flat. Driven by innovations, increased interest in speciality and craft beers and overall improved category perception, beer category dynamics have improved slightly compared with the past years of decline.

• The Eastern European markets are expected to decline due to the expected decline in GDP and accelerating inflation in Russia and Ukraine, which will put consumers and the beer category under pressure. We expect that the Russian beer market will continue to grow in value terms as price increases will more than offset the volume decline.

• The Asian markets are expected to continue to grow. Our non-Chinese markets are expected to grow in line with recent years while we assume that the Chinese beer market will grow in contrast to the weak 2014, although volume growth is expected to be below historic averages.

Based on these market assumptions, our ability to outperform the market and the actions we are taking to improve profitability, for 2015 the Group expects:

• Operating profit to grow organically by mid- to high-single-digit percentages. Due to the recent volatility of currency rates, especially the Russian rouble, we do not provide any guidance on reported operating profit development. However, the sensitivity of reported operating profit to movements in RUB vs EUR (combined transaction and translation effect) is shown in the table below. The EUR/RUB YTD 2015 has averaged around 75. Assuming that this rate will prevail for the full year, the negative translation impact for 2015 will be around DKK 0.9bn. For 2014, the rouble proportion of operating profit (before not allocated costs) was around 25%. No other non-EUR currencies account for more than 7% of operating profit. In reported terms, Eastern Europe is expected to account for less than 20% of operating profit in 2015 (before not allocated costs).

Other significant assumptions and sensitivities are:

Cost of goods sold per hl is expected to be lower than in 2014. In organic terms, cost of goods sold per hl is expected to be higher than last year in Eastern Europe, primarily due to currency impact on materials priced in USD or EUR.

Sales and marketing investments to net revenue are expected to be slightly higher than last year.

As a consequence of the aforementioned focus in 2015 on realising the full range of benefits earlier, we will postpone the BSP1 implementation in small markets to 2016. Average all-in cost of debt is assumed to be around 4%.

The tax rate is expected to increase to approximately 28%, mainly because the Russian business, where the corporate tax rate is below Group average, will decline in importance.

As part of the intensified focus on ROIC, capital expenditures will be approximately DKK 4bn in 2015 (around index 90 to expected depreciation), a reduction of approximately 30% compared with 2014. Net debt to EBITDA is expected to be less than 2.5 end of 2015.

COMPANY ANNOUNCEMENTS

Date	Event
21.03.2014	Carlsberg Breweries Annual Report 2013
21.03.2014	Carlsberg Breweries A/S - Annual General Meeting
20.15.2014	Carlsberg issues 10-year EUR Notes
23.10.2014	Acquisition of Chongqing Beer Group Assets Management Co. Ltd completed

FINANCIAL STATEMENTS

Income statement

DKK million	Section	2014	2013
Revenue		91,569	91,237
Excise duties on beer and soft drinks etc.		-27,063	-26,887
Net revenue	1.2	**64,506**	**64,350**
Cost of sales	1.3.1	-32,725	-32,423
Gross profit		**31,781**	**31,927**
Sales and distribution expenses	1.3.3	-18,695	-18,181
Administrative expenses	1.3.3	-4,590	-4,375
Other operating activities, net	1.3.4	444	133
Share of profit after tax, associates and joint ventures	5.5	405	358
Operating profit before special items		**9,345**	**9,862**
Special items, net	3.1	-1,245	-442
Financial income	4.1	820	721
Financial expenses	4.1	-1,989	-2,207
Profit before tax		**6,931**	**7,934**
Corporation tax	6.1	-1,883	-2,025
Consolidated profit		**5,048**	**5,909**
Attributable to			
Non-controlling interests		524	478
Shareholders in Carlsberg Breweries A/S		4,524	5,431

DKK			
Earnings per share	8.1		
Basic earnings per share		9,029	10,840
Diluted earnings per share		9,029	10,840

Statement of comprehensive income

DKK million	Section	2014	2013
Consolidated profit		**5,048**	**5,909**
Other comprehensive income			
Retirement benefit obligations	7.4	-1,207	827
Share of other comprehensive income in associates and joint ventures		2	2
Corporation tax relating to items that will not be reclassified	6.1	-118	-195
Items that will not be reclassified to the income statement		-1,323	634
Foreign exchange adjustments of foreign entities	4.1	-16,938	-7,499
Value adjustments of hedging instruments	4.1	150	11
Effect of hyperinflation	4.1	-	61
Other		3	-29
Corporation tax relating to items that may be reclassified	6.1	8	-8
Items that may be reclassified to the income statement		-16,777	-7,464
Other comprehensive income		**-18,100**	**-6,830**
Total comprehensive income		**-13,052**	**-921**
Attributable to			
Non-controlling interests		825	305
Shareholders in Carlsberg Breweries A/S		-13,877	-1,226

Statement of financial position

DKK million	Section	31 Dec. 2014	31 Dec. 2013
ASSETS			
Non-current assets			
Intangible assets	2.3, 2.4	70,536	83,017
Property, plant and equipment	2.3, 2.4	28,545	30,759
Investments in associates and joint ventures	5.5	3,779	3,281
Receivables	1.6	2,116	2,035
Deferred tax assets	6.2	1,280	1,077
Total non-current assets		**106,256**	**120,169**
Current assets			
Inventories	1.3.1	4,498	4,592
Trade receivables	1.6	6,879	7,683
Tax receivables		196	203
Other receivables	1.6	3,685	2,759
Prepayments		977	1,501
Cash and cash equivalents	4.4.2	2,418	3,612
Total current assets		**18,653**	**20,350**
Assets classified as held for sale	2.4	372	-
Total assets		**125,281**	**140,519**

DKK million	Section	31 Dec. 2014	31 Dec. 2013
EQUITY AND LIABILITIES			
Equity			
Share capital	4.3.2	501	501
Reserves		-30,875	-13,758
Retained earnings		72,202	70,320
Equity, shareholders in Carlsberg Breweries A/S		41,828	57,063
Non-controlling interests		3,560	3,190
Total equity		**45,388**	**60,253**
Non-current liabilities			
Borrowings	4.2, 4.4	38,480	30,017
Retirement benefit obligations and similar obligations	7.4	4,538	3,248
Deferred tax liabilities	6.2	6,442	8,553
Provisions	3.2	2,552	2,424
Other liabilities		1,442	1,355
Total non-current liabilities		**53,454**	**45,597**
Current liabilities			
Borrowings	4.2, 4.4	1,820	9,412
Trade payables		12,034	12,641
Deposits on returnable packaging	1.3.2	2,046	1,812
Provisions	3.2	448	410
Corporation tax		780	630
Other liabilities etc.		9,311	9,764
Total current liabilities		**26,439**	**34,669**
Total liabilities		**79,893**	**80,266**
Total equity and liabilities		**125,281**	**140,519**

Statement of changes in equity

DKK million	Shareholders in Carlsberg Breweries A/S							
2014	Share capital	Currency translation	Hedging reserves	Total reserves	Retained earnings	Equity, shareholders in Carlsberg Breweries A/S	Non-controlling interests	Total equity
Equity at 1 January 2014	501	-13,102	-656	-13,758	70,320	57,063	3,190	60,253
Consolidated profit	-	-	-	-	4,524	4,524	524	5,048
Other comprehensive income								
Foreign exchange adjustments of foreign entities	-	-17,271	-	-17,271	-	-17,271	333	-16,938
Value adjustments of hedging instruments	-	-50	200	150	-	150	-	150
Retirement benefit obligations	-	-	-	-	-1,164	-1,164	-43	-1,207
Share of other comprehensive income in associates and joint ventures	-	-	-	-	2	2	-	2
Other	-	-	-	-	3	3	-	3
Corporation tax	-	31	-27	4	-125	-121	11	-110
Other comprehensive income	**-**	**-17,290**	**173**	**-17,117**	**-1,284**	**-18,401**	**301**	**-18,100**
Total comprehensive income for the year	**-**	**-17,290**	**173**	**-17,117**	**3,240**	**-13,877**	**825**	**-13,052**
Refund to parent company for exercise of share options	-	-	-	-	-16	-16	-	-16
Change in expected future refunds for exercise of share options	-	-	-	-	26	26	-	26
Share-based payments	-	-	-	-	36	36	-	36
Dividends paid to shareholders	-	-	-	-	-1,220	-1,220	-413	-1,633
Acquisition of non-controlling interests	-	-	-	-	-184	-184	-50	-234
Acquisition of entities	-	-	-	-	-	-	8	8
Total changes in equity	**-**	**-17,290**	**173**	**-17,117**	**1,882**	**-15,235**	**370**	**-14,865**
Equity at 31 December 2014	**501**	**-30,392**	**-483**	**-30,875**	**72,202**	**41,828**	**3,560**	**45,388**

The proposed dividend of DKK 2,741 per share, in total DKK 1,373m (2013: DKK 2,435 per share, in total DKK 1,220m), is included in retained earnings at 31 December 2014. Dividends paid out in 2014 for 2013 amount to DKK 1,220m (paid out in 2013 for 2012: DKK 915m), which is DKK 2,435 per share (2013: DKK 1,827 per share). Dividends paid out to shareholders of Carlsberg Breweries A/S do not impact taxable income in Carlsberg Breweries A/S.

Statement of changes in equity

DKK million	Shareholders in Carlsberg Breweries A/S							
2013	Share capital	Currency translation	Hedging reserves	Total reserves	Retained earnings	Equity, shareholders in Carlsberg Breweries A/S	Non-controlling interests	Total equity
Equity at 1 January 2013	501	-5,759	-733	-6,492	65,520	59,529	3,389	62,918
Changes in accounting policies	-	-	-	-	-	-	-13	-13
Restated equity at 1 January 2013	501	-5,759	-733	-6,492	65,520	59,529	3,376	62,905
Consolidated profit	-	-	-	-	5,431	5,431	478	5,909
Other comprehensive income								
Foreign exchange adjustments of foreign entities	-	-7,327	-	-7,327	-	-7,327	-172	-7,499
Value adjustments of hedging instruments	-	-118	129	11	-	11	-	11
Retirement benefit obligations	-	-	-	-	820	820	7	827
Share of other comprehensive income in associates and joint ventures	-	-	-	-	2	2	-	2
Effect of hyperinflation	-	58	-	58	-	58	3	61
Other	-	-	-	-	-18	-18	-11	-29
Corporation tax	-	44	-52	-8	-195	-203	-	-203
Other comprehensive income	-	**-7,343**	**77**	**-7,266**	**609**	**-6,657**	**-173**	**-6,830**
Total comprehensive income for the year	-	**-7,343**	**77**	**-7,266**	**6,040**	**-1,226**	**305**	**-921**
Capital increase	-	-	-	-	-	-	32	32
Refund to parent company for exercise of share options	-	-	-	-	-51	-51	-	-51
Change in expected future refunds for exercise of share options	-	-	-	-	1	1	-	1
Share-based payments	-	-	-	-	57	57	-	57
Dividends paid to shareholders	-	-	-	-	-915	-915	-357	-1,272
Acquisition of non-controlling interests	-	-	-	-	-332	-332	-224	-556
Acquisition of entities	-	-	-	-	-	-	58	58
Total changes in equity	**-**	**-7,343**	**77**	**-7,266**	**4,800**	**-2,466**	**-186**	**-2,652**
Equity at 31 December 2013	**501**	**-13,102**	**-656**	**-13,758**	**70,320**	**57,063**	**3,190**	**60,253**

Statement of cash flows

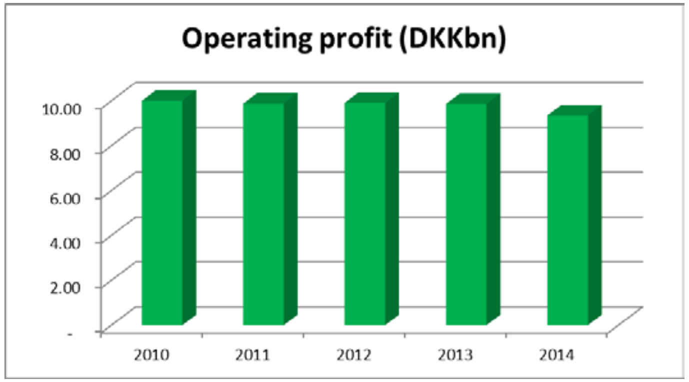
DKK million	Section	2014	2013
Operating profit before special items		9,345	9,862
Adjustment for depreciation and amortisation		4,093	3,855
Adjustment for impairment losses[1]		5	6
Operating profit before depreciation, amortisation and impairment losses[1]		**13,443**	**13,723**
Adjustment for other non-cash items	1.5.1	-512	-218
Change in trade working capital	1.5.1	-171	606
Change in other working capital	1.5.1	-725	-698
Restructuring costs paid		-397	-617
Interest etc. received		249	334
Interest etc. paid		-2,217	-2,413
Corporation tax paid		-2,218	-2,320
Cash flow from operating activities		**7,452**	**8,397**
Acquisition of property, plant and equipment and intangible assets		-5,877	-5,558
Disposal of property, plant and equipment and intangible assets		261	149
Change in on-trade loans	1.5.1	78	48
Total operational investments		**-5,538**	**-5,361**
Free operating cash flow		**1,914**	**3,036**
Acquisition and disposal of entities, net	5.3	-1,681	-2,314
Acquisition and disposal of associates and joint ventures, net		-80	-191
Acquisition and disposal of financial assets, net		25	-
Change in financial receivables	1.5.1	400	-250
Dividends received		178	137
Total financial investments		**-1,158**	**-2,618**
Disposal of other property, plant and equipment		-	-7
Total other activities[2]		**-**	**-7**
Cash flow from investing activities		**-6,696**	**-7,986**
Free cash flow	1.5	**756**	**411**
Shareholders in Carlsberg Breweries A/S	4.3.2	-1,220	-915
Non-controlling interests	4.3.2	-663	-677
External financing	4.4.1	-18	-417
Cash flow from financing activities		**-1,901**	**-2,009**
Net cash flow		**-1,145**	**-1,598**
Cash and cash equivalents at 1 January[3]		3,234	4,999
Foreign exchange adjustment of cash and cash equivalents		89	-167
Cash and cash equivalents at 31 December[3]	4.4.2	**2,178**	**3,234**

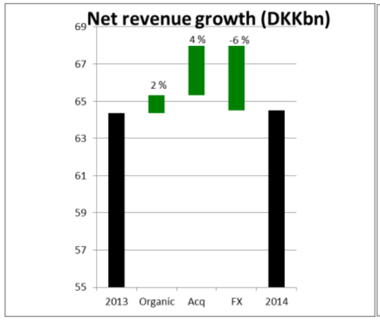
[1] Impairment losses excluding those reported in special items, cf. section 3.1.
[2] Other activities cover real estate, separate from beverage activities.
[3] Cash and cash equivalents less bank overdrafts.

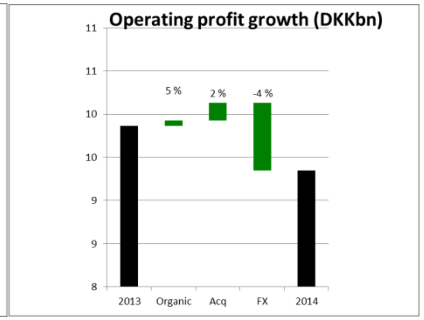
SECTION 1 – OPERATING ACTIVITIES

KEY DEVELOPMENTS 2014

- 2%
  - Organic net revenue growth of 2% to DKK 64.5bn. Reported growth flat due to foreign exchange effects during the year.
- 1.9bn
  - Free operating cash flow of DKK 1.9bn, down 0.9bn due to higher CapEx.
- 670m
  - Free cash flow of DKK 670m, impacted by acquisitions in Asia.
- 9.2bn
  - Operating profit before special items of DKK 9.2bn, down 0.5bn; driven by negative currency effect of 0.8bn and 1% organic growth.
- 5.5bn
  - Adjusted net profit of DKK 5.5bn, down 5%.







Operating profit is a measure of our ability to enhance operational performance through top-line growth while containing or reducing costs by working more effectively and efficiently.

A strong **operating cash flow** allows us to return value to shareholders, pay down debt, reinvest in our business and engage in value-creating acquisitions in growth markets.

Section 1.1 Business developments

Breweries Group		Change				Change
Pro rata (million hl)	2013	Organic	Acq., net	FX	2014	Reported
Beer	119.7	-3%	6%		122.8	3%
Other beverages	19.7	6%	0%		21.0	6%
Total volume, pro rata	139.4	-2%	5%		143.8	3%
DKK million						
Net revenue	64,350	2%	4%	-6%	64,506	0%
Operating profit, before special items	9,862	1%	2%	-8%	9,345	-5%
Operating margin (%)	15.3				14.5	-80bp

Group beer volumes declined organically by 3% due to weak Russian and Ukrainian beer markets. Reported beer volumes grew by 3% as a result of acquisitions in Asia. Other beverages grew organically by 6% due to strong volume development in the Nordic soft drinks businesses.

Net revenue grew 2% organically as the positive price/mix of 3% more than offset the organic decline in total volumes of 2%. Reported net revenue was flat as a result of -6% from currencies and a net acquisition impact of +4%. The negative currency impact was mainly due to the significant weakness of the Russia rouble (RUB) and Ukrainian hryvnia (UAH).

Organically, cost of sales per hl grew slightly as a result of negative operational leverage and write-off of obsolete stocks in Eastern Europe. In reported terms, cost of sales per hl declined by 2% due to the currency impact. Gross profit grew organically by 2%, while organic growth in gross profit per hl was 4%. The gross profit margin was up organically by 40bp to 50.0% (reported 49.3%).

Operating expenses grew organically by approximately 4%, mainly due to higher logistics costs, primarily in Eastern Europe, and higher sales expenses.

Organically, Group operating profit grew by 1%. Strong performance in Western Europe and Asia more than offset the profit decline in Eastern Europe. Reported operating profit was DKK 9,345m, impacted by a negative currency impact of DKK 789m mainly from the weaker Eastern European currencies. The Group's operating profit margin declined 80bp to 14.5%, primarily as a result of the acquisition impact from Asia and the Eastern European profit decline.

Reported net profit was DKK 4,524m (2013: DKK 5,431m), impacted negatively by special items of DKK 1,245m (2013: DKK 442m), which included a DKK 0.7bn write-down related to the closure of two Russian breweries.

Free operating cash flow was DKK 1,914m (2013: DKK 3,036m) as organic EBITDA growth was offset by negative currency impact, negative impact from trade working capital and higher CapEx than in 2013. Average trade working capital to net revenue was -3.6%, on par with 2013. Free cash flow was DKK 756m versus DKK 411m in 2013.

Accounting policies

Growth represents the combined effect of the following three elements: organic growth , acquisitions and foreign exchange effects. The acquisition effect is calculated as the effect of acquisitions and divestments, including any additional share obtained from increased ownership of associates and joint ventures, for a 12-month period from the acquisition date. The foreign exchange effect is the difference between the figures for the current reporting period translated at the exchange rates applying to the previous reporting period and at the rates applying to the current reporting period. Organic growth is the remaining growth that is not related to acquisitions, divestments or foreign exchange effects.

Section 1.2 Revenue and segmentation of operations

The segmentation reflects the geographical and strategic management, decision and reporting structure applied by the Executive Committee (Chief Operating Decision Maker).

The non-beverage activities are managed separately and therefore also shown separately.

Not allocated net revenue, DKK 153m (2013: DKK 183m), consists of DKK 17,996m (2013: DKK 9,948m) net revenue from other companies and activities and DKK -17,843m (2013: DKK -9,765m) from eliminations of sales between these other companies and the geographical segments.

Not allocated operating profit before special items, DKK -1,282m (2013: DKK -1,330m), consists of DKK -1,331m (2013: DKK -1,355m) from other companies and activities and DKK 49m (2013: DKK 25m) from eliminations.

Segmentation of income statement etc.

DKK million

2014	Western Europe	Eastern Europe	Asia	Not allocated	Carlsberg Breweries Group, total
Net revenue	37,598	14,086	12,491	331	64,506
Intra-segment revenue	164	14	-	-178	-
Total net revenue	**37,762**	**14,100**	**12,491**	**153**	**64,506**
Total cost	-32,407	-11,142	-10,582	-1,435	-55,566
Share of profit after tax, associates and joint ventures	115	4	286	-	405
Operating profit before special items	**5,470**	**2,962**	**2,195**	**-1,282**	**9,345**
Special items, net					-1,245
Financial items, net					-1,169
Profit before tax					**6,931**
Corporation tax					-1,883
Consolidated profit					**5,048**
Operating margin	14.5%	21.0%	17.6%		14.5%

2013	Western Europe	Eastern Europe	Asia	Not allocated	Carlsberg Breweries Group, total
Net revenue	37,293	17,700	9,063	294	64,350
Intra-segment revenue	100	11	-	-111	-
Total net revenue	**37,393**	**17,711**	**9,063**	**183**	**64,350**
Total cost	-32,298	-13,589	-7,446	-1,513	-54,846
Share of profit after tax, associates and joint ventures	88	5	265	-	358
Operating profit before special items	**5,183**	**4,127**	**1,882**	**-1,330**	**9,862**
Special items, net					-442
Financial items, net					-1,486
Profit before tax					**7,934**
Corporation tax					-2,025
Consolidated profit					**5,909**
Operating margin	13.9%	23.3%	20.8%		15.3%

Geographical allocation of net revenue

DKK million	2014	2013
Denmark (Carlsberg Breweries A/S's domicile)	5,279	5,007
Russia	11,058	14,014
Other countries	48,169	45,329
Total	**64,506**	**64,350**

Significant accounting estimates and judgements

The classification of duties and fees paid to local authorities or brewery organisations etc. and of discounts and marketing-related activities entails significant accounting estimates to be made by management.

Locally imposed duties and fees are classified as either sales-related duties, which are deducted from revenue, or as fees related to the input/use of goods in production, transportation, distribution etc., which are therefore recognised as an expense in the relevant line item.

Customer discounts are recognised in the same period as the sales to which they relate and deducted from revenue.

Customer discounts are based on expected accumulated sales volumes over a period of time using historical and year-to-date sales figures and other current information about trading with the customer. These calculations are performed by local management in cooperation with sales managers.

Management assesses the agreements with, services provided by and payments made to customers and to their customers to determine the substance and thereby the classification as either discounts or as trade marketing expenses. Expenses incurred for activities closely related to volumes sold are classified as discounts, while costs related to more general market activities are classified as trade marketing expenses.

Accounting policies

For information about segmentation, please refer to section 9.2 (General accounting policies).

Revenue is generated mainly by sales of goods, royalty income, porterage 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 in the income statement when all significant risks and rewards have been transferred to the buyer and when the income can be reliably measured and is expected to be received.

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

Revenue is measured including excise duties on beer and soft drinks and excluding discounts, VAT and duties.

Discounts

Sales reductions in the form of discounts and fees are widely used in the beverage industry. Furthermore, the Carlsberg Breweries Group grants or pays various discounts and fees depending on the nature of the customer and business.

Discounts comprise off-invoice, volume- and activity-related discounts, including specific promotion prices offered and other discounts. On-trade loans to on-trade customers are also classified as discounts.

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.

Activity-related discounts is a broad term covering incentives for customers to sustain business with the Carlsberg Breweries Group over a longer time and can be related to a current campaign or a sales target measured in volume. Examples include discounts paid as a lump sum, discounts for meeting all or certain sales targets or for exceeding targets, or progressive discounts offered in step with increasing sales to a customer.

Other discounts include listing fees, i.e. fees for listing on certain shelves or coolers or payment for a favourable store location, as such specific point-of-sales promotions are closely related to the volumes sold.

On-trade loans are described in section 1.6.

All discounts are estimated and recognised on a monthly basis based on experience and expectations for sales to an individual customer or groups of customers.

Section 1.3 Operating expenses, inventory and deposit liability

1.3.1 Cost of sales and inventory

Cost of sales increased by 0.9% due to the full-year effect of the consolidation of Chongqing Brewery Group, partly offset by a reduction in cost of materials. Organically, cost of sales per hl grew slightly as a result of negative operational leverage and writeoff of obsolete stocks in Eastern Europe. In reported terms, cost of sales per hl declined by 2% due to the currency impact.

Cost of materials mainly relates to barley/malt, hops, glass, cans and other packaging materials. Purchased finished goods include cost of point-of-sale materials sold to customers and third-party products.

Cost of sales

DKK million	2014	2013
Cost of materials	18,100	18,767
Direct staff costs	1,412	1,357
Machinery costs	881	917
Depreciation, amortisation and impairment losses	2,890	2,762
Indirect production overheads	3,797	3,568
Purchased finished goods and other costs	5,645	5,052
Total	**32,725**	**32,423**

Inventory

DKK million	2014	2013
Raw materials and consumables	2,246	2,216
Work in progress	296	298
Finished goods	1,956	2,078
Total	**4,498**	**4,592**

Inventories declined slightly despite the acquisition of Chongqing Beer Group Assets Management, which was fully consolidated from November 2014 and therefore impacted the level of inventories at year-end, while having only a minor impact on the cost of sales (included for two months only). The figures for 2013 were impacted by the acquisition of Chongqing Brewery Group with full consolidation as of December 2013.

Raw and packaging material risk

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

As the underlying markets for the specified categories of raw and packaging materials vary, so does the way in which they are hedged against price increases. The most common form of hedging is fixed-price agreements in local currencies with suppliers. To hedge the implicit risk of volatile aluminium prices associated with the purchase of cans, the Group's purchase price in the majority of purchase agreements is variable and based on the global market price of aluminium (London Metal Exchange, LME). The Group is thus able to hedge the underlying aluminium price risk.

For 2015, the majority of the aluminium price risk has been hedged for Western Europe and Eastern Europe. For 2014 the risk was partially hedged. The total volume of aluminium purchased via financial instruments was approximately 70,500 tonnes at the end of 2014 (2013: 110,800 tonnes). Based on this volume, and assuming 100% efficiency, a 10% increase (decrease) in aluminium prices would impact equity positively (negatively) by DKK 80m (2013: DKK 108m). Fair values of the financial instruments are specified in section 4.8.

It is Group policy to secure delivery of malt and hops for the coming budget year, and the main part of the exposure for 2014 was thus hedged through fixed-price purchase agreements for the majority of the Group during 2013. Likewise the majority of the exposure for 2015 has been hedged during 2014. The percentage which is hedged or price-fixed is higher for Western Europe than for Eastern Europe.

Significant accounting estimates and judgements

At least once a year, the local entities assess whether the standard cost of inventories is a close approximation of the actual cost. The standard cost is also revised if, during the year, it deviates by more than 5% from the actual cost of the individual product.

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

Funding and grants are recognised in the income statement in the same period as the activities to which they relate.

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

The calculation of the net realisable value of inventories is mainly relevant to packaging materials, point-of-sale materials and spare parts. The net realisable value is normally not calculated for beer and soft drinks because their limited shelf-life means that slow-moving goods must be scrapped instead. The individual entities impacted by the current macroeconomic situation in Eastern Europe have paid special attention to inventory turnover and the remaining shelf-life when determining the net realisable value and scrapping.

Accounting policies

Cost of sales comprises costs of products sold during the year, indirect production overheads (IPO) not allocated to specific products and development costs.

Own-produced finished goods and work in progress are measured at standard cost comprising the cost of raw materials, consumables, direct labour and indirect production overheads. Indirect production overheads comprise indirect supplies, wages and salaries, amortisation of trademarks and software, as well as maintenance and depreciation of machinery, plant and equipment used for production and costs of production, administration and management.

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

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

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

1.3.2 Deposit liabilities on returnable packaging

In a number of countries, the local entities have a legal or constructive obligation to take back returnable packaging from the market. When invoicing customers, the entity adds a deposit to the sales price and recognises a deposit liability. The deposit is paid out on return of bottles, cans etc.

The deposit liability amounted to DKK 2,046m (2013: DKK 1,812m) at 31 December 2014, while the value of returnable packaging materials amounted to DKK 2,352m (2013: DKK 1,986m). The capitalised value of returnable packaging materials exceeds the deposit liability as each of the returnable packaging items circulates a number of times in the market and as the deposit value in some markets is legally set lower than the cost of the returnable packaging. The deposit liability was almost unchanged compared to the liability at the end of 2014 except for the effect of the acquisition of Chongqing Beer Group Assets Management, which increased the deposit liability.

Significant accounting estimates and judgements

Management assesses the local business model, contracts and agreements, the level of control over the returnable packaging material and the return rate to determine the accounting treatment of the packaging material as either property, plant and equipment or inventory.

The deposit liability provided for is estimated based on movements during the year in recognised deposit liabilities and on historical information about return rates and loss of bottles in the market as well as planned changes in packaging types.

Accounting policies

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

The accounting policy for returnable packaging capitalised as property, plant and equipment is described in section 2.4.

1.3.3 Sales, distribution and administrative expenses

Total operating expenses grew by 3%. Marketing, sales and distribution expenses increased by DKK 514m compared to 2013, mainly due to higher logistics costs, primarily in Eastern Europe, and higher sales expenses. Additionally, the reported figure was impacted by the full-year effect of the acquisition of Chongqing Brewery Group and the consolidation of Chongqing Beer Group Assets Management as of November 2014 and a reduction due to currency impact.

DKK million	2014	2013
Marketing expenses	5,859	5,719
Sales expenses	5,215	5,072
Distribution expenses	7,621	7,390
Total	**18,695**	**18,181**

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 and the use of these to drive the sale of branded products and services.

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

Accounting policies

Brand and trade marketing expenses comprise sales campaigns, sponsorships, advertising and in-store display expenses.

Sales and distribution expenses comprise costs relating to general sales activities, sales staff as well as depreciation and impairment of sales equipment and costs incurred in distributing goods sold during the year.

Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation and writedowns for bad debt losses.

1.3.4 Other operating activities, net

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

DKK million	2014	2013
Gains and losses on disposal of property, plant and equipment and intangible assets within beverage activities, net	98	2
On-trade loans, net	68	5
Real estate, net	-1	-
Research centres, net	-18	-29
Other, net	297	155
Total	**444**	**133**

On-trade loan activities are described in section 1.6.

Accounting policies

Gains and losses on the disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the disposal date. On-trade loans, net, comprise the effective interest rate on on-trade loans calculated on the basis of amortised cost less impairment of on-trade loans.

Expenses relating to research activities comprise research in Denmark and France less funding received from the Carlsberg Foundation for the operation of the Carlsberg 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. Development costs are included in cost of sales.

Section 1.4 Foreign exchange risk related to earnings

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

Transaction risks on purchases and sales

The Group is exposed to transaction risks on purchases and sales in currencies other than the functional currency of the local entities. It is therefore Group policy to hedge future cash flows in currencies other than the functional currency of the entities for a one year period. This policy applies to Western Europe, excluding some of the Baltic and Balkan states. Hedging is carried out when plans for the following year are being prepared, effectively hedging the entities' operating profit in local currency. Since a major part of the purchases in foreign currency is in EUR, this will not constitute a risk at Group level. However, at Group level these hedges are effectively an economic hedge of (parts of) the net revenue in the relevant currency, and they are accounted for as cash flow hedges.

Impact from Eastern Europe

The foreign exchange risk in the entities in Eastern Europe is managed differently from Carlsberg's operations in the main parts of the rest of the Group because of the excessive cost of hedging these currencies over a longer period of time. With regard to transaction risk, Baltika Breweries has expenses in both USD and EUR and appreciation and depreciation of the RUB have affected and will continue to affect operating profit measured in both DKK and RUB.

Translation risk

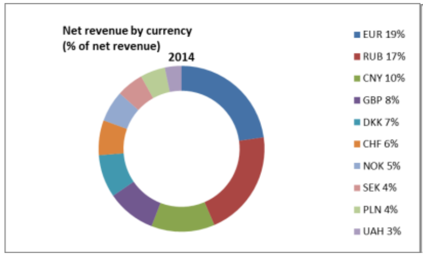
The Group is exposed to risk from translation of foreign entities into the Group's functional currency, DKK. The Group is primarily exposed to RUB and secondarily to other currencies. The exposure to fluctuations in EUR/DKK is considered insignificant due to Denmark's fixed exchange rate policy towards EUR. The Group has chosen not to hedge the exposure arising from translation of revenue or earnings in foreign currencies but does in certain cases hedge specific cash flows such as dividends to be received in foreign currencies.

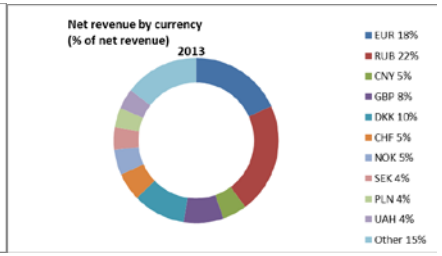
Entity	Functional currency	Change average FX rate 2013 to 2014
Entities in the eurozone	EUR	-0.03%
Baltika Breweries	RUB	-14.80%
Greater China Group	CNY	-0.60%
Carlsberg UK	GBP	5.30%
Carlsberg Danmark	DKK	0.00%
Feldschloesschen Getraenke	CHF	1.30%
Ringnes	NOK	-6.40%
Carlsberg Sverige	SEK	-5.00%
Carlsberg Polska	PLN	0.50%
Carlsberg Ukraine	UAH	-33.70%

Impact on operating profit

Developments in exchange rates between DKK and the functional currencies of foreign entities had a negative impact on the Group's operating profit measured in DKK, cf. section 1.1.

The table shows net sales for key subsidiaries as a percentage of total net sales and the change in the average exchange rate from 2013 to 2014.





Section 1.5 Cash flow from operating activities

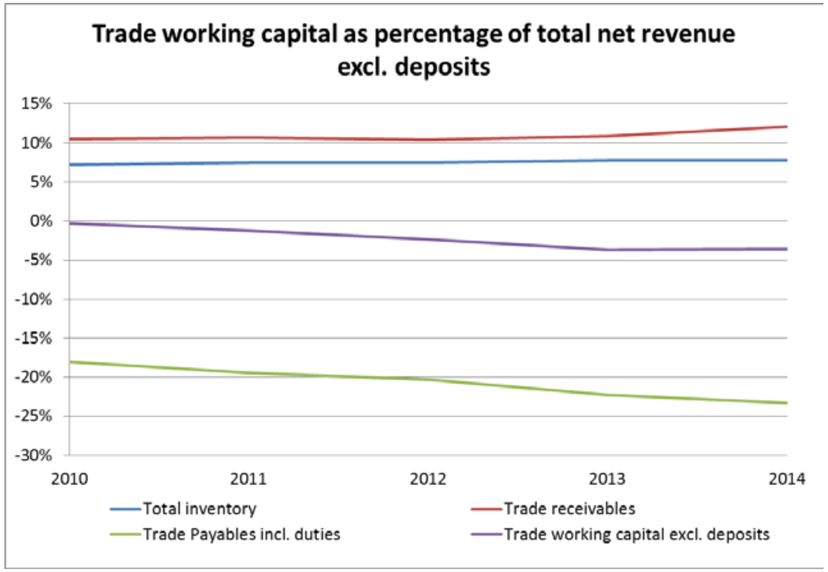
Free operating cash flow was DKK 1,914m (2013: DKK 3,036m) as the organic EBITDA growth was offset by negative currency impact, negative impact from trade working capital and higher CapEx than in 2013. Average trade working capital to net revenue was -3.6%, on a par with 2013.

Cash flow from operating activities fell DKK 0.9bn to DKK 7.5bn (2013: DKK 8.4bn). The change was impacted by higher net working capital and lower EBITDA than in 2013.

Net working capital in 2014 was adversely affected mainly by duties payable and other receivables in Russia and the UK.

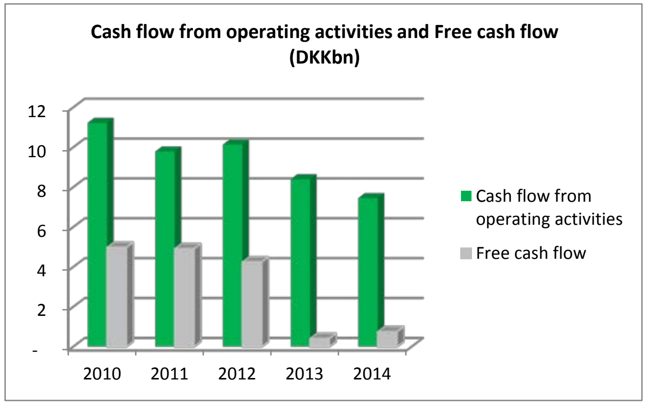
The Group is continuously working to improve its cash flow and looking into new initiatives. In some major markets, Carlsberg uses receivable transfer agreements to sell trade receivables on a non-recourse basis. The cash flow relating to trade payables was improved due to the Group's ongoing efforts to achieve better payment terms with suppliers.

The development in average trade working capital is shown in the following graph.



Free cash flow amounted to DKK 756m (2013: DKK 411m). The main reason for the higher free cash flow in 2014 was a lower level of financial investments. Investments related mostly to Chongqing Beer Group Assets Management. In 2013, financial investments were impacted by the acquisition of Chongqing Brewery Group and the prepayment for Chongqing Beer Group Assets Management.

In the past five years, cash flow from operating activities and free cash flow have developed as follows:



Accounting policies

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

Section 1.5.1 Other specifications to cash flow from operating activities

DKK million	2014	2013
Adjustment for other non-cash items		
Share of profit after tax, associates and joint ventures	-406	-358
Gains on disposal of property, plant and equipment and intangible assets, net	-98	-2
Special items etc.	-8	142
Total	**-512**	**-218**
Change in trade working capital		
Inventories	67	-193
Trade receivables	-34	-515
Trade payables, duties payables and deposit liabilities	-204	1,314
Total	**-171**	**606**
Change in other working capital		
Other receivables	-623	-312
Other payables	126	-290
Retirement benefit obligations and other liabilities related to operating activities before special items	-111	6
Adjusted for unrealised foreign exchange gains/losses	-117	-102
Total	**-725**	**-698**
Change in on-trade loans		
Loans provided	-1,061	-1,139
Repayments	675	664
Amortisation of on-trade loans	464	523
Total	**78**	**48**
Change in financial receivables		
Loans and other receivables	379	-330
Other financial receivables	21	80
Total	**400**	**-250**

Section 1.6 Trade receivables and on-trade loans

The Group's non-current receivables consist mainly of on-trade loans.

Current receivables comprise trade and other receivables.

Receivables included in the statement of financial position

DKK million	2014	2013
Trade receivables	6,879	7,683
Other receivables	3,685	2,759
Total current receivables	**10,564**	**10,442**
Non-current receivables	2,116	2,035
Total	**12,680**	**12,477**

Trade receivables comprise invoiced 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.

Receivables by origin

DKK million	2014	2013
Sale of goods and services	6,267	7,061
On-trade loans	1,839	1,851
Other receivables	4,574	3,565
Total	**12,680**	**12,477**

The fair value of on-trade loans was DKK 1,839m (2013: DKK 1,851m).

Average effective interest rates

%	2014	2013
On-trade loans	4.9%	4.9%

Non-current receivables fall due more than one year from the end of the reporting period, with DKK 38m (2013: DKK 137m) falling due more than five years from the end of the reporting period.

On-trade loans

Under certain circumstances the Group grants loans to on-trade customers in France, the UK, Germany, Switzerland 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 prepaid discounts. The operating entities monitor and control these loans in accordance with central guidelines.

The following on-trade loan items are recognised in other operating activities, net:

DKK million	2014	2013
Interest and amortisation of on-trade loans	83	78
Losses and write-downs on on-trade loans	-15	-73
On-trade loans, net	**68**	**5**

Significant accounting estimates and judgements

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

1.6.1 Credit risk

Exposure to on-trade receivables is managed locally in the operating entities and credit limits set as deemed appropriate for the customer taking into account the current local market conditions.

The Group does not generally renegotiate the terms of trade receivables with the individual customer and trade receivables are not changed to on-trade loans. However, if a negotiation takes place, the outstanding balance is included in the sensitivity analysis based on the original payment terms. No significant trade receivables or on-trade loans were renegotiated during 2013 and 2014.

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

As a result of the international geopolitical situation and subsequent macroeconomic development, the risk of bad debt losses has increased in the Eastern Europe region. This increased risk has been taken into consideration in the assessment of impairment at the end of the reporting period and included in the general management and monitoring of usual trade credits.
On-trade loans are usually repaid through discounts during the continuing sales relationship with the individual customer, which is reflected in the repayment scheme and the discounting of the loans. Consequently, there are no significant overdue on-trade loans.

Management also assesses whether developments of importance to the on-trade could indicate impairment of on-trade loans in a market in general. Such developments also include changes in local legislation, which may have an adverse effect on earnings in the industry as a whole and where the effect cannot be allocated to individual loans.

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

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

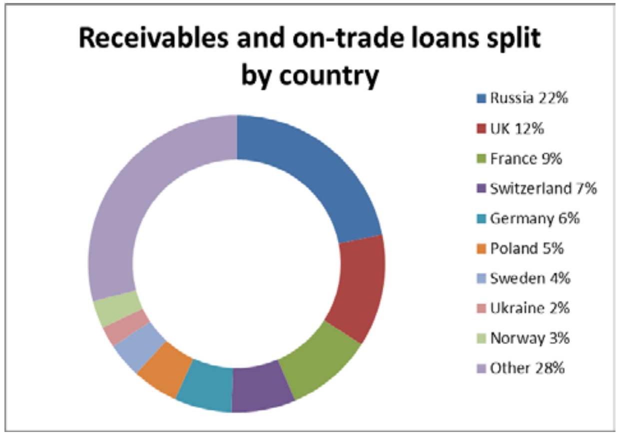
Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The carrying amount of financial assets, excluding cash and cash equivalents, of DKK 12,680m (2013: DKK 12,477m) is summarised below.

Ageing of receivables and on-trade loans

DKK million 2014	Net carrying amount at 31 Dec.	Of which neither impaired nor past due at the reporting date	Past due less than 30 days	Past due between 30 and 90 days	Past due more than 90 days
Receivables from sale of goods and services	6,267	5,531	271	142	323
On-trade loans	1,839	1,738	4	6	91
Other receivables	4,574	4,075	87	271	141
Total	**12,680**	**11,344**	**362**	**419**	**555**
Total 2013	**12,477**	**11,402**	**361**	**192**	**522**

The Group's receivables from the sale of goods and services and on-trade loans are allocated to the countries shown below.



The Group's exposure to receivables in Russia, in local currency, has declined slightly compared to year-end 2013, while the translation into DKK has reduced the proportional share of the Group's total trade receivables and on-trade loans from 30% at year-end 2013 to 22% at year-end 2014. All other currencies' proportionate shares are largely unchanged from 2013.

No significant impairment losses were incurred in respect of individual trade receivables or on-trade loans in 2013 and 2014. The current macroeconomic situation in Eastern Europe did not lead to any significant losses on receivables in 2014. The impairment losses at 31 December 2014 relate to several minor customers that have – in different ways – indicated that they do not expect to be able to pay their outstanding balances, mainly due to adverse economic developments. Based on historical payment behaviour and extensive analysis of the underlying customers' credit ratings, the Group believes that the unimpaired amounts that are past due by more than 30 days are still collectable.

Development in impairment losses on receivables

DKK million					2013
2014	Trade receivables	On-trade loans	Other receivables	Total	Total
Impairment at 1 January	-618	-211	-153	-982	-1,061
Impairment loss recognised	-134	-28	-8	-170	-274
Realised impairment losses	130	35	1	166	199
Reversed impairments	32	13	8	53	168
Acquisition of entities	-12	-	-18	-30	-14
Impairment at 31 December	**-602**	**-191**	**-170**	**-963**	**-982**

Significant accounting estimates and judgements

In assessing credit risk, management analyses the need for write-downs for bad debt losses due to customers' inability to pay.
Impairment losses are based on an individual review for impairment based on customers' creditworthiness and expected ability to pay, customer insolvency or anticipated insolvency, and past due amounts as well as collateral received. Management also uses mathematically computed impairment losses based on customer segments, historical information on payment patterns, terms of payment and concentration maturity, as well as information about the general economic situation in the markets/countries.

The financial uncertainty associated with write-downs for bad debt losses is usually considered to be limited. However, if the ability to pay deteriorates in the future, further write-downs may be necessary.

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

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

Accounting policies

Receivables are measured at amortised cost less impairment losses.

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

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

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

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

SECTION 2 – ASSET BASE AND RETURNS

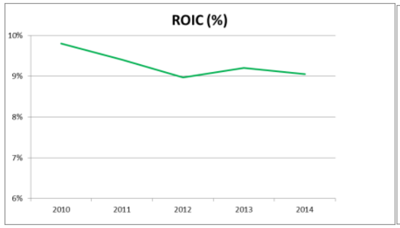
KEY DEVELOPMENTS 2014

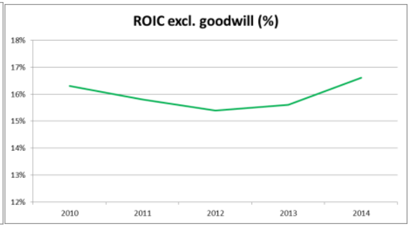
- 9.1%
  - The Group's return on invested capital (ROIC) decreased by 20bp to 9.1% due to a decline in operating profit before special items and an increase in average invested capital from acquisition of entities and breweries.
- 15bn
  - Intangible assets and property, plant and equipment decreased by DKK 15bn due to decreases in the currency exchange rates of RUB and UAH.
- 703m
  - Impairment, DKK 703m of property, plant and equipment due to closure of two breweries in Russia.
- 5.9bn
  - CapEx of DKK 5.9bn, up DKK 319m, due to investment in new breweries and capacity expansions in Asia.

Maximising return on investments is key in delivering **sustainable value** to shareholders. Return on invested capital (ROIC) analyses all investments throughout the value chain and is a key measure in ensuring the proper basis for decision-making.

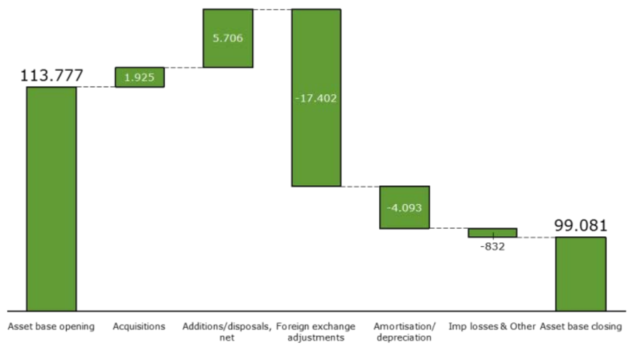
ROIC is calculated as operating profit before special items as a percentage of average invested capital, including goodwill, and as a percentage of average invested capital, excluding goodwill.

The **asset base** represents the total investment in intangible assets and property, plant and equipment. The asset base represents the most significant part of the total invested capital.

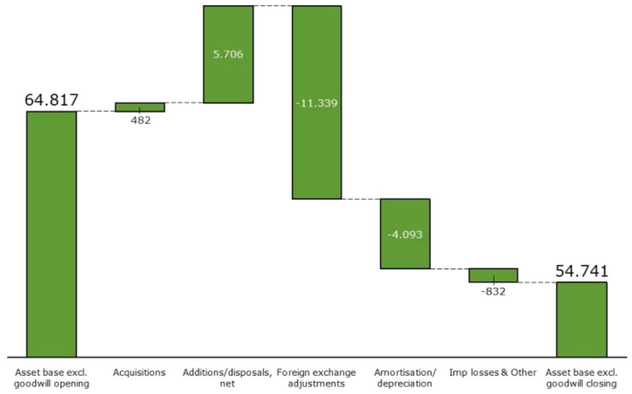




Changes in asset base (DKKm)



Changes in asset base, excl. goodwill (DKKm)



Section 2.1 Return on invested capital

Return on invested capital (ROIC) was 9.1% (2013: 9.3%). Return on invested capital excluding goodwill was 16.7% (2013: 15.7%).

Invested capital including goodwill decreased, due to a significant reduction in intangible assets and property, plant and equipment from foreign exchange adjustments, which was partially offset by an increase from the acquisition of Chongqing Beer Group Assets Management and investments in new breweries in Asia. Liabilities offset in the invested capital remained stable.

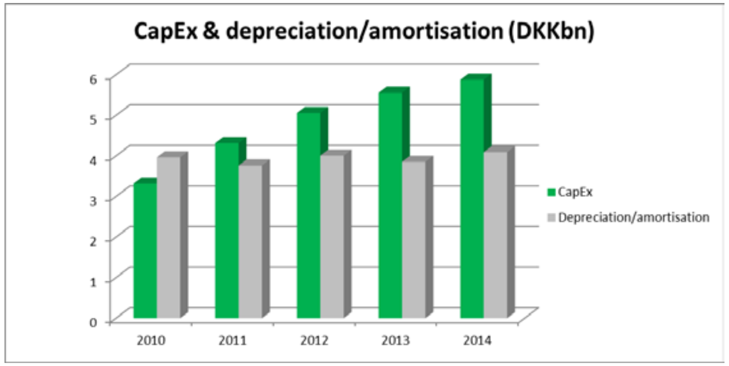
The decline in ROIC by 20bp to 9.1% was caused by the decline in operating profit and the increase in average invested capital from the acquisition of entities and breweries. As the decline in invested capital from foreign exchange adjustments happened in December and the average is calculated on a monthly basis, it had only a minor impact on average invested capital.

The change in the RUB/DKK exchange rate in December 2014 has reduced the value in DKK. This has no effect on the income statement, as the change is recognised in other comprehensive income as described in section 4.3.2.

Return on invested capital

DKK million	2014	2013
Total assets	125,281	140,519
Less		
Deferred tax assets	-1,280	-1,077
Loans to group companies, associates and joint ventures (current)	-1,149	-1,041
Interest income receivable, fair value of hedging instruments and financial receivables	-1,103	-522
Cash and cash equivalents	-2,418	-3,612
Assets included	**119,331**	**134,267**
Trade payables	-12,034	-12,641
Deposits on returnable packaging	-2,046	-1,812
Provisions, excluding restructurings	-2,575	-2,397
Corporation tax	-780	-630
Deferred income	-1,054	-1,055
Finance lease liabilities, included in borrowings	-36	-46
Other liabilities, excluding deferred income, interest payable and fair value of hedging instruments	-8,992	-9,175
Liabilities offset	**-27,517**	**-27,756**
Invested capital	**91,814**	**106,511**
Goodwill	-44,340	-48,960
Invested capital excluding goodwill	**47,474**	**57,551**
Invested capital average	**113,575**	**118,411**

The development in capital expenditure (CapEx), depreciation and amortisation is shown in the table.



CapEx increased by DKK 319m, mainly due to capacity expansions in Asia to drive future sales and growth and a move into new markets.

Furthermore, the Group continued investments mainly in the supply chain integration and business standardisation project (BSP1), which is one of the largest and most important projects in recent years. This project is a key enabler in transforming the Western European operating model.

Section 2.2 Segmentation of assets

The Group's assets are segmented on the basis of geographical regions in accordance with the management reporting for 2014, cf. section 1.

Total assets and invested capital decreased in Eastern Europe, which is primarily attributable to changes in foreign exchange rates.

Total assets in Russia and Ukraine decreased by DKK 23.9bn as at 31 December 2014 compared to the DKK value they would have had if they were translated at the exchange rate applied at year-end 2013.

Total assets in Asia were affected by the acquisition of Chongqing Beer Group Assets Management, investments in new breweries in Asia and appreciation of certain Asian currencies.

Not allocated total assets, DKK -9,701m (2013: DKK -11,586m), comprise entities that are not business segments and eliminations of investments in subsidiaries, receivables, loans etc.

Segmentation of assets etc.

DKK million

2014	Western Europe	Eastern Europe	Asia	Not allocated	Carlsberg Breweries Group, total
Total assets	50,755	48,450	35,777	-9,701	125,281
Invested capital, cf. section 2.1	26,424	38,987	24,216	2,187	91,814
Invested capital excluding goodwill, cf. section 2.1	11,814	24,313	9,160	2,187	47,474
Acquisition of property, plant and equipment and intangible assets	1,830	1,397	2,128	522	5,877
Depreciation and amortisation	1,658	1,237	964	234	4,093
Impairment losses	22	744	67	-	833
Return on invested capital (ROIC)	20.1%	5.8%	10.1%	-	9.1%
Return on invested capital excluding goodwill (ROIC excl. goodwill)	43.6%	9.3%	23.5%	-	16.7%
2013					
Total assets	49,596	72,288	30,221	-11,586	140,519
Invested capital, cf. section 2.1	26,107	58,648	20,190	1,566	106,511
Invested capital excluding goodwill, cf. section 2.1	11,449	36,588	7,948	1,566	57,551
Acquisition of property, plant and equipment and intangible assets	2,088	1,208	1,611	651	5,558
Depreciation and amortisation	1,734	1,440	593	88	3,855
Impairment losses	213	104	28	24	369
Return on invested capital (ROIC)	18.9%	6.7%	10.5%	-	9.2%
Return on invested capital excluding goodwill (ROIC excl. goodwill)	40.3%	10.8%	16.2%	-	15.7%

The Group's non-current segment assets are allocated as specified below.

Geographical allocation of non-current assets

DKK million	2014	2013
Denmark (Carlsberg Breweries A/S's domicile)	5,290	4,821
Russia	35,539	54,892
Other countries	62,031	57,344
Total	**102,860**	**117,057**

Non-current segment assets comprise intangible assets and property, plant and equipment owned by the segment/country, even if the income is also earned outside the segment/country that owns the asset. Non-current assets also comprise non-current financial assets other than financial instruments, deferred tax assets and retirement benefit plan assets.

Allocated goodwill and trademarks by segment are specified in section 2.3.2.

Section 2.3 Impairment

Section 2.3.1 Impairment losses

The Carlsberg Breweries Group performs annual impairment tests to verify the value of recognised goodwill, trademarks and other non-current assets.

In connection with impairment testing management reassesses the useful life and residual value of assets with impairment indicators.

Based on the impairment tests performed, the Group has recognised impairment losses totalling DKK 833m in respect of trademarks, breweries and other non-current assets.

Impairment of trademarks and other non-current assets

DKK million	2014	2013
Trademarks		
Trademarks with finite useful life	-	18
Trademarks with indefinite useful life	35	182
Total	**35**	**200**
Other intangible assets		
Other	-	23
Total	**-**	**23**
Property, plant and equipment		
Impairment of Baltika Breweries	703	-
Impairment of Aldaris Brewery, Latvia	20	43
Impairment of plant, machinery and equipment, Ringnes, Norway	-	31
Impairment of plant, machinery and equipment, Carlsberg Deutschland, Germany	-	18
Impairment of plant, machinery and equipment, Carlsberg UK	-	17
Impairment of plant, machinery and equipment,Ningxia Xixia Jianiang Brewery Group, China	27	-
Impairment of plant, machinery and equipment, Xinjiang Wusu Group, China	40	28
Other	8	9
Total	**798**	**146**
Total	**833**	**369**

The impairment losses on trademarks relate to local trademarks in Kazakhstan (2014 and 2013) and in Russia, Estonia and France (2013) that have suffered from the economic crisis and changes in the brand strategy. The trademarks therefore showed a recoverable amount below the carrying amount and were written down to the lower recoverable amount.

Impairment of breweries, Baltika Breweries, relates to two breweries which were permanently closed in January 2015.

Other impairments of property, plant and equipment are a consequence of restructuring and process optimisation in Western Europe and Asia.

Impairment losses of DKK 828m (2013: DKK 363m) are recognised in special items and of DKK 5m (2013: DKK 6m) in cost of sales.

2.3.2 General assumptions applied

Western Europe

The mature Western European markets are generally characterised by stable or declining volumes. The entire region continues to experience strong competition, requiring ongoing optimisation of cost structures and use of capital. Our key focus is to improve profitability, cash flow and returns. Our commercial focus is to increase volume and value market share through continued development of our local power brands, further roll-out of our international premium brands, innovations and premiumisation efforts. This is supported by the deployment of best-in-class commercial tools. At the same time, we focus on reducing costs and capital employed through optimising asset utilisation, further increasing efficiencies across the business and simplifying our business model. An important enabler on this journey is the roll-out of a comprehensive set of standardised business processes and an integrated supply chain (BSP1).

Eastern Europe
The Russian beer market has been highly impacted by the challenging macroeconomic environment, which has caused consumers to reduce their spending on beer. The Russian economy has been impacted by sanctions and low oil prices. Revenue in the region is expected to increase as a result of price increases and inflation. Following the recent macroeconomic development in Eastern Europe, the budget for 2015 was reassessed and updated in January 2015. Expectations for the target years were also reassessed. These updated expectations as well as expectations for the macroeconomic development formed the basis of the impairment testing of both goodwill and trademarks at year-end 2014. It is the expectation of management that the current macroeconomic situation and developments will continue in the short term, and that, in the long term, interest rates, WACC and growth rates will decline and stabilise at a much lower level than what is observed in the markets today. These expectations are in line with those of leading international banks and have been applied in the long-term expectations in the impairment testing. The assumptions applied are described in detail in section 2.3.3.

Asia
The Group has an attractive footprint in the Asian region with significant growth opportunities in the majority of the markets. To capture the growth opportunities we continuously expand our presence in the region through investments with a long-term view in the existing business and in new markets. Our commercial focus is to further strengthen and premiumise our local brand portfolios and expand the reach of our international premium brands. Furthermore, we continuously upgrade our commercial execution capabilities by applying Group and regionally developed tools and best practices. In addition to growing our Asian businesses, we drive efficiencies across our businesses with an emphasis on optimising structures and ways of working, using well-proven Group concepts and operating models.

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

The applied projections for growth rates and discount rates are compared to ensure a reasonable link between the two (real interest rate).

Discount rates applied
The risk-free interest rates used in impairment tests performed at year-end 2014 were based on observed market data. For countries where long-term risk-free interest rates are not observable or valid due to specific national or macroeconomic changes affecting the country, the interest rate is estimated based on observations from other markets and/or long-term expectations expressed by major international credit institutions.

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

2.3.3 Impairment test of goodwill
The impairment test of goodwill is performed for Western Europe and Eastern Europe, while entities in Asia are tested at sub-regional levels. Entities that are less integrated in regions or sub-regions are tested at individual entity level.

The management of the Group is centralised and decisions are carried out by the regional managements, which are responsible for performance, investments and growth initiatives in their respective regions.

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

Goodwill

	Growth in the terminal period		Discount rates (risk-free interest rate)	
	2014	2013	2014	2013
Western Europe	1.0%	1.5%	1.2%	2.7%
Eastern Europe	3.5%	2.5%	7.0%	6.1%
Asia	2.0 - 3.0%	2.5 - 3.5%	4.0 - 11.3%	4.8 - 12.7%

DKK million	2014	%	2013	%
Western Europe:				
Western Europe	14,609	33%	14,657	30%
Eastern Europe:				
Eastern Europe	14,675	33%	22,060	45%
Asia:				
Greater China, Malaysia and Singapore	10,727	24%	8,440	17%
Indochina	3,757	8%	3,289	7%
India	235	1%	211	0%
Nepal	337	1%	303	1%
Total	**44,340**	**100%**	**48,960**	**100%**

2.3.3 Significant accounting estimates and judgements goodwill
The impairment test of goodwill is performed for the cash-generating units to which goodwill is allocated. The cash-generating units are determined based on the management structure, linkage of the cash flows between entities and the individual entities' integration in regions or sub-regions. The structure and cash-generating units are reassessed each year.

The impairment test of goodwill for each cash-generating unit calculates the recoverable amount, corresponding to the discounted value of the expected future free cash flow (value in use).

Key parameters include assumptions about revenue growth, future free cash flow, future capital expenditure and growth expectations beyond the next three years. Budgets and target plans do not incorporate the effect of future restructurings and non-contracted capacity increases.

Future free cash flow	The expected future free cash flow (value in use) is based on budgets and business plans for the next three years and projections for subsequent years.
Growth	The budgets and target plans are based on concrete commercial initiatives, and the risks associated with the key parameters are assessed and incorporated in expected future free cash flows. The impairment test is based on scenarios for possible future cash flows. Potential upsides and downsides identified during the budget process and in the daily business are reflected in the future cash flow scenarios

	for each individual cash-generating unit. The scenarios reflect, among other things, different assumptions about combinations of market, price and input cost developments. Projections for the terminal period are based on general expectations and risks, taking into account the general growth expectations for the brewing industry in the relevant segments. The growth rates applied are not expected to exceed the average long-term growth rate for the Group's individual geographical segments.
Discount rates	In the impairment testing of goodwill, the Group uses a pre-tax risk-free interest rate that reflects the risk-free borrowing rate in each particular geographical segment.

2.3.4 Impairment test of trademarks

Trademarks are impairment-tested individually at Group level. The carrying amount of trademarks which have an indefinite useful life and are therefore not amortised was DKK 22,589m (2013: DKK 29,186m) at 31 December 2014, equivalent to 98% (2013: 93%) of the capitalised trademarks. Management assesses that the value of these trademarks can be maintained for an indefinite period, as these are well-established trademarks in the markets concerned and these markets are expected to be profitable in the long term. In the opinion of management, there is only a minimal risk of the current situation in the markets reducing the useful life of these trademarks, primarily due to the respective market share in each market and the current and planned marketing efforts, which are helping to maintain and increase the value of these trademarks.

Trademarks with indefinite useful life

	Growth in the terminal period		Discount rates (WACC)	
	2014	2013	2014	2013
Trademarks				
Western Europe	2.0 - 3.0%	2.0 - 3.0%	3.6 - 4.8%	5.0 - 6.9%
Eastern Europe	2.0 - 4.5%	2.0 - 4.5%	8.1 - 22.1%	8.3 - 19.8%
Asia	2.0 - 2.5%	2.0 - 2.5%	6.7 - 10.9%	7.8 - 13.6%

DKK million	2014	%	2013	%
Western Europe	3,314	15%	3,320	11%
Eastern Europe	16,647	74%	25,381	88%
Asia	2,628	11%	485	1%
Total	**22,589**	**100%**	**29,186**	**100%**

Royalty rates

%	2014	2013
International, premium and speciality beers	3.5 - 15.0%	3.5 - 15.0%
Strong regional and national trademarks	3.0 - 5.0%	3.0 - 5.0%
Local trademarks and mainstream trademarks	2.0 - 3.5%	2.0 - 3.5%

2.3.4 Significant accounting estimates and judgements trademarks

The impairment test of trademarks is performed using the relief from royalty method and is based on expected future free cash flows from the Group's calculated royalty income generated by the individual trademark for the next 20 years and projections for subsequent years.

Key parameters include royalty rate, expected useful life, growth rate and a theoretically calculated tax effect. A post-tax discount rate is used which reflects the risk-free interest rate with the addition of a risk premium associated with the individual trademark.

Royalty rate	Royalty income generated by the trademark is based on the Group's total income and earned globally, i.e. the income is also earned outside the segment that owns the trademark. If external licence agreements for the individual trademark already exist, the market terms of such agreements are considered when assessing the royalty rate which the trademark is expected to generate in a transaction with independent parties. The royalty rate is based on the actual market position of the individual trademark in the global, regional and local markets.
Expected useful life	Management assesses the market, market position and strength to determine the useful life of the trademarks. When the value of well-established trademarks is expected to be maintained for an indefinite period in the relevant markets, and these markets are expected to be profitable for a long period, the useful life of the trademark is determined to be indefinite.
Growth rate	For each individual trademark, a 20-year curve is projected, reflecting the expected future growth in revenue per year. Depending on the expectations for the individual trademark, the growth in individual years is above, equal to or below the current inflation level in the countries where the individual trademark is sold. The curve for each individual trademark is determined by reference to its market position, the overall condition of the markets where the trademark is marketed, as well as regional and national macroeconomic trends etc. For some trademarks, national, regional and international potential has been linked to the value of the trademark, and investments in terms of product development and marketing strategy are expected to be made. For these trademarks, the expected growth rate is generally higher than for comparable trademarks, especially at the beginning of the 20-year period. The growth rates determined for the terminal period are in line with the expected rate of inflation.
Discount rates	In the impairment testing of trademarks, the Group uses a post-tax discount rate for each country. In determining the discount rate, a risk premium (spread) on the risk-free interest rate is fixed at a level that reflects management's expectations of the spread for future borrowings. The total interest rate, including spread, thereby reflects the long-term interest rate applicable to the Group's investments in the individual markets. The tax rate is the expected future tax rate in each country based on current legislation. The impairment test at year-end 2014 incorporated tax rates in the range of 15-38%. The WACC rates in Asia vary within a wide range with the lowest rate for China and developed countries, whereas the subcontinent, including India and Nepal, has the highest WACC rates in the region.

Section 2.3.5 Sensitivity test

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

%	Growth rate Allowed decrease	Discount rate, after tax Allowed increase
2014		
Goodwill	2.4%	8.1%
Trademarks	17.0%	10.2%
2013		
Goodwill	3.9%	3.4%
Trademarks	1.6%	0.8%

Due to the current macroeconomic situation in some countries and regions, the Group has performed additional sensitivity tests to ensure that potential impairment is not overlooked.

In the last part of 2014, interest rates and inflation in the Eastern European countries increased significantly due to the current macroeconomic situation. The sensitivity tests calculate the impact of higher interest rates and inflation, reflecting changed economic conditions compared to current expectations.
The WACC rates applied in Western Europe continued to be impacted by the relatively low risk-free interest rates at the end of 2014. The sensitivity tests calculate the impact of higher interest rates reflecting an assumption of a significantly higher risk-free interest rate level allowing for double-digit increase in risk-free interest rates.

These additional sensitivity tests did not identify potential impairment.

Trademarks which have recently been recognised at fair value in a purchase price allocation or impaired will have less ability to absorb changes in the risk-free interest rate or a decline in growth. These trademarks are sensitivity-tested separately and show no or a very low margin between recoverable amount and carrying amount.

2.3.6 Significant accounting estimates and judgements

Property, plant and equipment

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

Associates and joint ventures

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

Accounting policies

Goodwill and trademarks with indefinite useful life are subject to an annual impairment test, initially before the end of the acquisition year.

The carrying amount of goodwill is tested for impairment annually, together with the other non-current assets in the cash-generating unit to which goodwill is allocated. The recoverable amount is generally calculated as the present value of expected future net cash flows (value in use) from the entity or activity (cash-generating unit) to which the goodwill is allocated.

The carrying amount of trademarks with indefinite useful life is subject to an annual impairment test. The recoverable amount is generally calculated as the present value of expected future net cash flows from the trademark in the form of royalties (the relief from royalty method).

The carrying amount of other non-current assets is subject to an annual test for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The impairment test is performed for the individual asset or in combination with related assets which form an integrated cash-generating unit. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Impairment of goodwill, trademarks and significant impairment losses on property, plant and equipment, associates and joint ventures, and impairment losses arising on extensive structuring of processes and fundamental structural adjustments are recognised under special items. Minor impairment losses are recognised in the income statement under cost of sales, sales and distribution expenses, administrative expenses or other operating activities, net.

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.

Section 2.4 Intangible assets and property, plant and equipment

Additions to goodwill are described in more detail in section 5.

DKK million	Goodwill	Trademarks	Other intangible assets	Total	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
	Intangible assets				Property, plant and equipment			
Cost								
Cost at 1 January 2014	49,033	32,800	4,674	86,507	17,395	29,500	12,375	59,270
Acquisition of entities	1,443	-	95	1,538	197	205	-15	387
Additions	-	4	806	810	300	3,033	1,734	5,067
Disposals	-	-	-270	-270	-171	-628	-758	-1,557
Transfers	-	-	-8	-8	366	-818	425	-27
Foreign exchange adjustments etc.	-6,062	-8,743	-12	-14,817	-1,579	-2,715	-940	-5,234
Cost at 31 December 2014	**44,414**	**24,061**	**5,285**	**73,760**	**16,508**	**28,577**	**12,821**	**57,906**
Amortisation, depreciation, and impairment losses								
Amortisation, depreciation and impairment losses at 1 January 2014	73	1,251	2,166	3,490	5,722	15,158	7,630	28,510
Disposals	-	-	-269	-269	-67	-613	-707	-1,387
Amortisation and depreciation	-	35	284	319	546	1,635	1,593	3,774
Impairment losses	-	35	-	35	362	382	54	798
Transfers	-	-	-6	-6	37	-46	-21	-30
Foreign exchange adjustments etc.	1	-276	-70	-345	-405	-1,371	-528	-2,304
Amortisation, depreciation and impairment losses at 31 December 2014	**74**	**1,045**	**2,105**	**3,224**	**6,195**	**15,145**	**8,021**	**29,361**
Carrying amount at 31 December 2014	**44,340**	**23,016**	**3,180**	**70,536**	**10,313**	**13,432**	**4,800**	**28,545**
Carrying amount of assets pledged as security for loans					-	-	-	-
Cost								
Cost at 1 January 2013	45,804	34,043	3,512	83,359	17,629	31,009	12,434	61,072
Changes in accounting policies	-701	-25	-15	-741	-560	-1,463	-374	-2,397
Restated cost at 1 January 2013	45,103	34,018	3,497	82,618	17,069	29,546	12,060	58,675
Acquisition of entities	6,797	1,898	442	9,137	843	592	357	1,792
Additions	-	2	915	917	275	2,978	1,388	4,641
Disposals	-	-	-189	-189	-111	-1,293	-1,258	-2,662
Transfers	1	-	4	5	184	-753	446	-123
Foreign exchange adjustments etc./Effect of hyperinflation	-2,868	-3,118	5	-5,981	-865	-1,570	-618	-3,053
Cost at 31 December 2013	**49,033**	**32,800**	**4,674**	**86,507**	**17,395**	**29,500**	**12,375**	**59,270**
Amortisation, depreciation, and impairment losses								
Amortisation, depreciation and impairment losses at 1 January 2013	96	1,116	2,137	3,349	5,710	16,245	8,083	30,038
Changes in accounting policies	-12	-18	-5	-35	-224	-775	-329	-1,328
Restated amortisation, depreciation and impairment losses at 1 January 2013	84	1,098	2,132	3,314	5,486	15,470	7,754	28,710
Disposals	-	-	-175	-175	-15	-1,177	-1,096	-2,288
Amortisation and depreciation	-	24	223	247	518	1,658	1,432	3,608
Impairment losses	-	200	23	223	-	112	34	146
Transfers	-	-	-	-	-27	-73	-9	-109
Foreign exchange adjustments etc. /Effect of hyperinflation	-11	-71	-37	-119	-240	-832	-485	-1,557
Amortisation, depreciation and impairment losses at 31 December 2013	**73**	**1,251**	**2,166**	**3,490**	**5,722**	**15,158**	**7,630**	**28,510**
Carrying amount at 31 December 2013	**48,960**	**31,549**	**2,508**	**83,017**	**11,673**	**14,342**	**4,745**	**30,760**
Carrying amount of assets pledged as security for loans					80	251	7	338

Intangible assets under development amounted to DKK 1,330m (2013: DKK 1,338m) and are included in other intangible assets. Property, plant and equipment under construction amounted to DKK 2,273m (2013: DKK 2,340m) and are included in plant and machinery.

The carrying amount of other intangible assets at 31 December 2014 included capitalised software costs of DKK 775m (2013: DKK 429m) and beer delivery rights of DKK 69m (2013: DKK 86m).

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

Assets held for sale

Assets held for sale of DKK 372m comprise property, plant and equipment classified as held for sale in the opening statement of financial position of newly acquired entities.

Recognition of amortisation, depreciation and impairment losses in the income statement

	Intangible assets		Property, plant and equipment	
DKK million	2014	2013	2014	2013
Cost of sales	50	46	2,840	2,716
Sales and distribution expenses	36	41	722	737
Administrative expenses	233	160	217	162
Special items	35	223	793	139
Total	**354**	**470**	**4,572**	**3,754**

Gain/loss on disposal of assets

The gain/loss on disposal is recognised in other operating activities, net and is specified in the table below.

	Intangible assets		Property, plant and equipment	
DKK million	2014	2013	2014	2013
Cost of sales	50	46	2,840	2,716
Sales and distribution expenses	36	41	722	737
Administrative expenses	233	160	217	162
Special items	35	223	793	139
Total	**354**	**470**	**4,572**	**3,754**

Leases

Operating lease liabilities totalled DKK 1,408m (2013: DKK 1,361m), with DKK 389m (2013: DKK 469m) falling due within one year. Operating leases primarily relate to properties, IT equipment and transport equipment (cars, trucks and forklifts). These leases contain no special purchase rights etc.

Assets held under finance leases with a total carrying amount of DKK 37m (2013: DKK 47m) have been pledged as security for lease liabilities totalling DKK 37m (2013: DKK 46m).

Service agreements

The Group has entered into service contracts of various lengths in respect of sales, logistics and IT. Costs related to the contracts are recognised as the services are received.

Capital commitments

The Group has entered into various capital commitments which are agreed to be made after the reporting date and are therefore not recognised in the consolidated financial statements.

Capital commitments

DKK million	2014	2013
Property, plant and equipment	82	259
Total	**82**	**259**

Significant accounting estimates and judgements

Useful lives 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, cf. section 5. The value of the trademarks acquired and their expected useful life are assessed based on the trademarks' market position, expected long-term developments in the relevant markets and the trademarks' profitability.

Management assesses trademarks and property, plant and equipment for changes in useful life. When there is an indication of a reduction in the value or useful life, the asset is tested for impairment and is written down if necessary, or the amortisation/depreciation period is reassessed and if necessary adjusted in line with the asset's changed useful life.

Reassessment of the expected future use is as a minimum made in connection with an evaluation of changes in production structure, restructuring and brewery closures. The expected future use and residual values may not be realised, which will require reassessment of useful life and residual value and recognition of impairment losses or losses on disposal of noncurrent assets.

When changing the amortisation or depreciation period due to a change in useful life, the effect on amortisation/depreciation is recognised prospectively as a change in accounting estimates.

The Group has entered into a number of leases and service contracts. When entering into these agreements, management considers the substance of the service being rendered in order to classify the agreement as either a lease or a service contract. In making this judgement, particular importance is attached to whether fulfilment of the agreement depends on the use of specific assets. The Group assesses whether contracts are onerous by determining only the direct variable costs and not the costs that relate to the business as a whole.

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

Leases are classified as finance leases if they transfer substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.

Significant accounting estimates and judgements related to impairment are described above, cf. section 2.3.3.

Accounting policies

Cost

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, wages and salaries, and capitalised borrowing costs on specific or general borrowing attributable to the construction of the asset.

Research costs are recognised in the income statement as they are incurred. Development costs are recognised as intangible assets if the costs are expected to generate future economic benefits.

For assets acquired in business combinations, including trademarks 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 by the purchase price allocation. Goodwill is not amortised.

CO2 emission rights are measured at cost at the date of allocation (i.e. normally DKK 0), while acquired rights are measured at cost. A liability is recognised (at fair value) only if actual emissions of CO2 exceed allocated levels based on the holding of rights.

The present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located is added to the cost of self-constructed assets if the liabilities are provided for.

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

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

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are derecognised 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 and depreciation

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.

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

The expected useful life for the various items is as follows:

Trademarks with finite useful life	Normally 20 years
Software etc.	Normally 3-5 years. Group-wide systems developed as an integrated part of a major business development programme: 5-7 years
Delivery rights	Depending on contract; if no contract term has been agreed, normally not exceeding 5 years
Customer agreements/relationships	Depending on contract with the customer; if no contract exists, normally not exceeding 20 years
CO_2 rights	Production period where utilised

Buildings	20-40 years
Technical installations	15 years
Brewery equipment	15 years
Filling and bottling equipment	8-15 years
Technical installations in warehouses	8 years
On-trade and distribution equipment	5 years
Fixtures and fittings, other plant and equipment	5-8 years
Returnable packaging	3-10 years
Hardware	3-5 years
Land	Not depriciated

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

Impairment losses

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

Operating leases

Operating lease payments are recognised in the income statement 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 expense.

SECTION 3 – SPECIAL ITEMS AND PROVISIONS

KEY DEVELOPMENTS 2014

In 2014, special items related to:

- -1,219m
  - Cost of restructuring projects and impairment of DKK 1,219m, primarily in Eastern and Western Europe.
- -703m
  - Impairment of two breweries in Russia which have been permanently closed down in January 2015.

Section 3.1 Special items

Special items include major impairments and expenses related to restructuring initiatives implemented across the Group. Restructurings are initiated to enhance the Group's future earnings potential and to make the Group more efficient going forward.

DKK million	2014	2013
Special items, income		
Gain on disposal of entities and adjustments to gain in prior years	-	-
Gain on sale of Copenhagen brewery site	-	-
Revaluation gain on step acquisition of entities	13	-
Recycling of cumulative translation differences of entities acquired in step acquisitions	-	239
Gain on disposal of property, plant and equipment impaired in prior years	33	40
Total	**46**	**279**
Special items, expenses		
Restructuring projects and termination benefits	-1,219	-593
Impairment of trademarks	-35	-200
Costs related to acquisitions and disposals of entities	-37	-28
Reversal of provision for onerous malt and hops contracts	-	107
Other	-	-7
Total	**-1,291**	**-721**
Special items, net	**-1,245**	**-442**

If special items had been recognised in operating profit before special items, they would have been included in the following items

DKK million	2014	2013
Cost of sales	-1,036	-514
Sales and distribution expenses	-102	-69
Administrative expenses	-101	-131
Other operating activities, net	-6	279
Other operating expenses	-	-7
Special items, net	**-1,245**	**-442**

3.1.1 Special items, income:

The Group has recognised a gain on step acquisition of Hanoi-Vung Tau Beer Joint Stock Company of DKK 13m, including recycled cumulative exchange differences. In 2013, the Group also recycled cumulative exchange differences of DKK 239m relating to entities acquired in step acquisitions.

The Group disposed of some assets which had been impaired in prior years, resulting in a gain of DKK 33m (2013: DKK 40m).

3.1.2 Special items, expenses

Impairment, restructuring and termination benefits

DKK million	2014	2013
Impairment and restructuring of Baltika Breweries, Russia	-745	-37
Impairment and restructuring of Carlsberg Uzbekistan	-29	-
Impairment and restructuring in relation to optimisation and standardisation in Western Europe	-285	-309
Restructuring of Ringnes, Norway	-49	-88
Impairment of other non-current assets	-24	-23
Restructuring of Aldaris, Latvia	-20	-74
Impairment and restructuring of Xinjiang Wusu Group, China	-35	-62
Impairment of Ningxia Xixia Jianiang, China	-32	-
Total	**-1,219**	**-593**

Impairment and restructuring of Baltika Breweries relate to the impairment of two breweries which were permanently closed in January 2015, DKK 703m, and a restructuring of several functions which was initiated in 2013 and continued during 2014, DKK 42m (2013: DKK 37m).

The Group is optimising and standardising business processes across Western Europe, which resulted in restructuring costs and impairments totalling DKK 285m (2013: DKK 309m). The optimisation and standardisation project is running in a number of entities, including Brasseries Kronenbourg, Carlsberg Sweden and Carlsberg Business Solutions.

Restructuring of Ringnes, DKK 49m (2013: DKK 88m), relates to the full transition to one-way packaging before the first half of 2015, which also includes investment in new production equipment and added capacity as well as a reduction in the number of employees during 2015.

Restructuring of Aldaris, DKK 20m (2013: DKK 74m), relates to the closure of a brewery. At the same time, a microbrewery and sourcing from neighbouring countries have been established.

Restructuring of Xinjiang Wusu Group, DKK 35m (2013: DKK 62m), relates to the restructuring and closure of three breweries in 2013.

Impairment of trademarks

The impairment loss on trademarks relates to local trademarks in Kazakhstan (2014 and 2013) and in Russia, Estonia and France (2013) that have suffered from the economic crisis and changes in the brand strategy.

Cost related to acquisition and disposals

Cost related to the acquisition of entities in 2014, DKK 37m (2013: DKK 28m), primarily relates to the acquisitions of Chongqing Brewery Group and Chongqing Beer Group Assets Management.

Significant accounting estimates and judgements

The use of special items entails management judgement in the separation from other items in the income statement. Management carefully considers such changes in order to ensure the correct distinction between operating activities and restructuring of the Group carried out to enhance the future earnings potential.

Management reassesses the useful life and residual value of non-current assets used in the entity undergoing restructuring. The extent and amount of onerous contracts as well as employee and other obligations arising in connection with the restructuring are also estimated. Management initially assesses the entire project and recognises all present costs of the project, but the project is also assessed on an ongoing basis with additional costs possibly occurring during the lifetime of the project.

Accounting policies

Special items include significant income and costs of a special nature in terms of the Group's revenue-generating operating activities which cannot be attributed directly to the Group's ordinary operating activities. Such income and costs include the cost of extensive restructuring of processes and fundamental structural adjustments, as well as any gains or losses arising from disposals of assets which have a material effect over a given period.

Special items also include significant nonrecurring items, including impairment of goodwill (including goodwill allocated to associates and joint ventures) and trademarks, gains and losses on the disposal of activities, revaluation of the shareholding in an entity held immediately before a step acquisition of that entity and transaction costs in a business combination.

Section 3.2 Provisions

Restructuring projects comprise expected costs directly linked to the restructuring. These costs are typically recognised in special items and provided for as provisions. The restructuring provisions are calculated on the basis of detailed plans announced to the parties concerned and relate mainly to termination benefits to employees made redundant.

In 2014, restructuring provisions amounted to DKK 425m. The provisions related primarily to the restructuring of Ringnes, due to the switch to one-way recyclable packaging, cf. section 3.1, and to Carlsberg Italia, Carlsberg Deutschland and Brasseries Kronenbourg.

Other provisions totalling DKK 2,559m related primarily to profit sharing in France, employee obligations other than retirement benefits, and ongoing disputes, lawsuits etc.

DKK million	Restructurings	Onerous contracts	Other	Total
Provisions at 1 January 2014	437	19	2,378	2,834
Additional provisions recognised	207	-	279	486
Used during the year	-128	-3	-225	-356
Reversal of unused provisions	-53	-	-31	-84
Transfers	-2	-	14	12
Discounting	12	-	111	124
Foreign exchange adjustments etc.	-48	-	33	-16
Provisions at 31 December 2014	**425**	**16**	**2,559**	**3,000**
Provisions are recognised in the statement of financial position as follows				
Non-current provisions	237	15	2,300	2,552
Current provisions	188	1	259	448
Total	**425**	**16**	**2,559**	**3,000**

Significant accounting estimates and judgement

In connection with large restructurings, management assesses the timing of costs to be incurred, which influences the classification as current or non-current liabilities. Provision for losses on onerous procurement contracts is based on agreed terms with the supplier and expected fulfilment of the contract based on the current estimate of volumes and use of raw materials. Warranty provisions are based on the substance of the agreements entered into, including the guarantees issued covering customers in the on-trade.

Management assesses provisions, contingent assets and contingent liabilities, and the likely outcome of pending or probable lawsuits etc. on an ongoing basis. The outcome depends on future events, which are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes etc., management bases its assessment on external legal assistance and established precedents.

Accounting policies

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

Other provisions are discounted if the effect is material to the measurement of the liability. The Carlsberg Breweries Group's average borrowing rate is used as the discount rate.

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

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

When the Group has a legal obligation to dismantle or remove an asset or restore the site on which the asset is located, a provision is recognised corresponding to the present value of expected future costs.

Section 3.3 Contingent liabilities

The Federal Cartel Office in Germany has issued a decision against Carlsberg Deutschland and imposed a fine of EUR 62m for alleged infringement of the competition rules in 2007. Management does not agree with the conclusions or findings of the Federal Cartel Office and, accordingly, Carlsberg Deutschland has appealed the decision to the relevant German court. The imposed fine is therefore not provided for in the financial statements.

The Group is party to certain other lawsuits, disputes etc. of various scopes. It is management's opinion that, apart from items recognised in the statement of financial position or disclosed in the consolidated financial statements, the outcome of these lawsuits, disputes etc. will not have a material effect on the Group's financial position.

The Group has issued guarantees for loans etc. raised by third parties (non-consolidated entities) of DKK 537m (2013: DKK 626m). Guarantees issued for loans raised by associates and joint ventures are described in section 5.5.

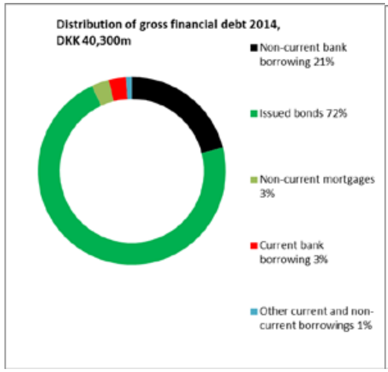
Certain guarantees etc. are issued in connection with disposal of entities and activities etc. Apart from items recognised in the statement of financial position or disclosed in the consolidated financial statements, these guarantees etc. will not have a material effect on the Group's financial position.

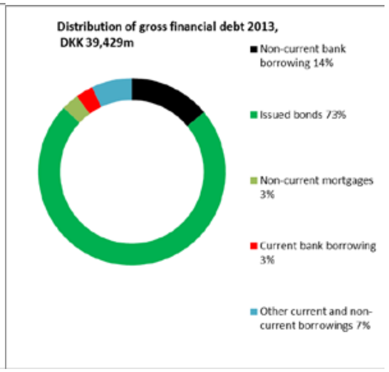
Contractual commitments, and lease and service agreements are described in section 2.4.

SECTION 4 – FINANCING COSTS, CAPITAL STRUCTURE AND EQUITY

KEY DEVELOPMENTS 2014

- -1,169m
  - Net financials totalled DKK -1,169m, down from DKK -1,484m in 2013.
- Borrowings
  - Borrowings diversified between a number of funding sources.
- 13bn
  - Available credit resources of DKK 13bn at 31 December 2014, up DKK 5.2bn due to refinancing of bond.
- 3.1%
  - Average funding rate of 3.1%, down from 4.1% in 2013. The main reason for the decline was the redemption of a EUR 1bn 6% coupon bond maturing in May 2014. The bond was replaced with a 10-year EUR 1bn 2.5% coupon bond in May, thus lowering the funding costs and extending the maturity profile at the same time.





Section 4.1 Financial income and expenses

Financial items, net, decreased by DKK 315m, primarily due to the issue in May 2014 of a EUR 1bn bond with a coupon of 2.5%. The bond replaced a bond maturing at the same time, which had a coupon of 6%. Furthermore, in 2013 interest expenses were impacted by high interest payments on EUR 1bn of swaps which matured mid-2013.

Financial items recognized in the income statement

DKK million	2014	2013
Financial income		
Interest income	259	310
Fair value adjustments of financial instruments, net, cf. section 4.8	226	20
Foreign exchange gains, net	66	177
Expected return on plan assets, defined benefit plans	245	217
Other financial income	24	18
Total	**820**	**742**
Financial expenses		
Interest expenses	-1,432	-1,739
Capitalised financial expenses	12	4
Impairment of financial assets	-	-4
Interest cost on obligations, defined benefit plans	-371	-332
Other financial expenses	-198	-155
Total	**-1,989**	**-2,226**
Financial items, net, recognised in the income statement	**-1,169**	**-1,484**

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

Interest expenses primarily relate to interest on borrowings measured at amortised cost. Borrowing costs on specific or general borrowings which are directly attributable to the development or construction of a qualifying asset are included in the cost of that asset. Interest, losses and write-downs relating to on-trade loans, which are measured at amortised cost, are included as income and expenses in other operating activities, cf. section 1.3.4, as such loans are seen as a prepaid discount to the customer.

The net gain on fair value adjustment of financial instruments and foreign exchange, DKK 292m (2013: DKK 197m), primarily relates to foreign currency deposits in Eastern Europe.

Financial items recognised in other comprehensive income

DKK million	2014	2013
Foreign exchange adjustments of foreign entities		
Foreign currency translation of foreign entities	-16,950	-7,260
Recycling of cumulative translation differences of entities acquired in step acquisitions	12	-239
Effect of hyperinflation	-	61
Total	**-16,938**	**-7,438**
Value adjustments of hedging instruments		
Change in fair value of effective portion of cash flow hedges	-23	-175
Change in fair value of cash flow hedges transferred to the income statement	223	304
Change in fair value of net investment hedges	-50	-118
Total	**150**	**11**
Financial items, net, recognised in other comprehensive income	**-16,788**	**-7,427**

Of the net change in fair value of cash flow hedges transferred to the income statement, DKK 103m (2013: DKK 58m) is included in cost of sales and DKK 120m (2013: DKK 246m) is included in financial items.

The foreign currency translation of foreign entities, DKK -16,950m, primarily relates to the decline in the exchange rates of RUB and UAH, which had an impact of DKK -20,563m, and the appreciation of CNY, LAK and VND, which had an impact of DKK 1,825m.

Accounting policies

Financial income and expenses comprise interest income and expenses, payables and transactions denominated in foreign currencies, amortisation of financial assets (other than loans to customers in the on-trade, which are included in other operating activities, net) and liabilities, including defined benefit retirement plans, and surcharges and refunds under the on-account tax scheme etc. Realised and unrealised gains and losses on derivative financial instruments which are not designated as hedging arrangements and the ineffective portion of those designated as hedging arrangements are also included.

Borrowing costs on specific or general borrowings which are directly attributable to the development or construction of a qualifying asset are included in the cost of that asset.

Section 4.2 Net interest-bearing debt

At 31 December 2014, gross interest-bearing debt amounted to DKK 40.4bn and net interest-bearing debt amounted to DKK 35.3bn. Of the gross interest-bearing debt, 95% (DKK 38.5bn) was long-term, i.e. with maturity after more than one year.

Net interest-bearing debt increased by DKK 1.9bn during 2014, primarily due to dividends paid, DKK 1.6bn, acquisition of entities, DKK 1.7bn, and the inclusion of the net interest-bearing debt in Chongqing Beer Group Assets Management, DKK 0.4bn, which was fully consolidated from November 2014.

Net interest-bearing debt

DKK million	2014	2013
Non-current borrowings	38,480	30,017
Current borrowings	1,820	9,412
Payables, acquisitions	147	188
Gross interest-bearing debt	**40,447**	**39,617**
Cash and cash equivalents	-2,418	-3,612
Loans to associates, interest-bearing portion	-59	-55
On-trade loans, net	-934	-980
Other receivables, net	-688	-1,563
Receivables from group companies, interest-bearing portion	-1,087	-984
Net interest-bearing debt	**35,261**	**33,407**

Changes in net interest-bearing debt

DKK million	2014	2013
Net interest-bearing debt at 1 January	33,407	31,639
Changes in accounting policies	-	-529
Restated net interest-bearing debt at 1 January	33,407	31,110
Cash flow from operating activities	-7,452	-8,397
Cash flow from investing activities, excl. acquisition of entities, net	5,016	5,698
Cash flow from acquisition of entities, net	1,681	2,314
Dividends to shareholders and non-controlling interests	1,633	1,272
Acquisition of non-controlling interests	250	320
Acquired net interest-bearing debt from acquisition of entities	433	1,039
Change in interest-bearing lending	-29	293
Effect of currency translation	358	-139
Other	-36	-103
Total change	**1,854**	**2,297**
Net interest-bearing debt at 31 December	**35,261**	**33,407**

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 which supports long-term profitable growth and a solid increase in key earnings and statement of financial position ratios.

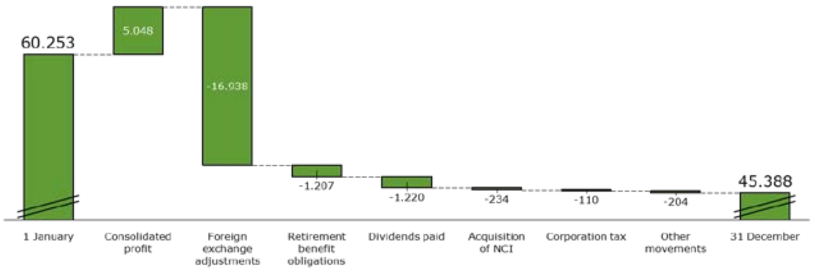
This includes assessment of and decisions on the split of financing between share capital and loans, which is a long-term strategic decision to be made in connection with major acquisitions and similar transactions.

As an element in strategic decisions on capital structure, management assesses the risk of changes in the Group's investment-grade rating. In 2006 the Group was awarded investment-grade ratings by Moody's Investor Service and Fitch Ratings. In February 2011 both ratings were upgraded one notch. In January 2015 Moody's affirmed the Baa2 issuer and senior unsecured ratings, but changed the outlook from stable to negative for Carlsberg Breweries. The rating and outlook from Fitch Ratings remained unchanged. Identification and monitoring of risks were carried out continuously during the year. In the fourth quarter of 2014 Carlsberg carried out its annual risk management workshop, which identified new risks and updated ongoing mitigating actions to address previously identified risks and uncertainties, as described in the risk management section of the Management review.

Other operational decisions relate to the issue of bonds, and the entering into and changing of bank loan agreements. To facilitate these decisions and manage the operational capital structure, management assesses committed credit facilities, expected future cash flows and net debt ratio.

Section 4.3.2 Equity

In 2014, total equity decreased to DKK 45,388m from DKK 60,253m. The decrease in equity was mainly due to profit for the period of DKK 5bn less foreign currency translation of foreign entities of DKK 16.9bn. Payment of dividends to Carlsberg shareholders and non-controlling interests amounted to DKK 1.6bn.



Share capital

	Shares of DKK 1.000	Nominal value, DKK '000
1 January 2013	501	501,000
No change in 2013	-	-
31 December 2013	**501**	**501,000**
No change in 2014	-	-
31 December 2014	**501**	**501,000**

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 owned by Carlsberg A/S, Copenhagen, Denmark.

Transactions with shareholders

Transactions with shareholders led to a total cash outflow of DKK -1,220m (2013: DKK -915m).

Transactions with shareholders in Carlsberg Breweries A/S

DKK million	2014	2013
Dividends to shareholders	-1,220	-915
Total	**-1,220**	**-915**

The Group proposes dividends of DKK 1,373m (2013: DKK 1,220m), amounting to DKK 2,741 per share (2013: DKK 2,435 per share). The proposed dividends are included in retained earnings at 31 December 2014.

Transactions with non-controlling interests

During 2014, the Group had the following transactions with non-controlling interests.

DKK million	2014	2013
Acquisition of non-controlling interests	-250	-320
Dividends to non-controlling interests	-413	-357
Total	**-663**	**-677**

Dividends paid to non-controlling interests primarily related to entities in Asia.

Accounting policies

Currency translations in equity

Currency translations in equity comprise foreign exchange adjustments arising on translation of financial statements of foreign entities from their functional currencies into the presentation currency used by Carlsberg A/S (DKK), balances considered to be part of the total net investment in foreign entities, and financial instruments used to hedge net investments in foreign entities.

On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement in the same item as the gain/loss.

Fair value adjustments in equity

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

Proposed dividends
Proposed dividends are recognised as a liability at the date when they are adopted at the Annual General Meeting (declaration date). The dividend recommended by the Supervisory Board and therefore expected to be paid for the year is disclosed in the statement of changes in equity.

Section 4.3.3 Financial risk management

The Group's activities create exposure to a variety of financial risks. These risks include market risk (foreign exchange risk, interest rate risk and raw material risk), credit risk and liquidity risk.

The Group's financial risks are managed by Group Treasury in accordance with the Financial Risk Management Policy approved by the Supervisory Board and are an integrated part of the overall risk management process in Carlsberg. The risk management framework is described in the Management review.

To reduce the 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.

While the risk management activities were largely unchanged during 2014, the macroeconomic situation affecting markets and exchange rates in Russia and Ukraine warranted increased monitoring and planning.

Section 4.4 Borrowings and cash

4.4.1 Borrowings

Gross financial debt

DKK million	2014	2013
Non-current borrowings		
Issued bonds	28,893	21,413
Mortgages	1,248	1,248
Bank borrowings	8,290	7,298
Other non-current borrowings	49	58
Total	**38,480**	**30,017**
Current borrowings		
Issued bonds	-	7,455
Current portion of other non-current borrowings	369	181
Bank borrowings	1,442	1,768
Other current borrowings	9	8
Total	**1,820**	**9,412**
Total non-current and current borrowings	**40,300**	**39,429**
Fair value	41,986	40,040

Other total borrowings include finance lease liabilities of DKK 32m (2013: DKK 46m).

The Group has designated a fixed-interest rate GBP 300m bond as the hedged item in a fair value hedge with the designated risk being movements in a benchmark interest rate (floating interest rate). The carrying amount of this borrowing is therefore adjusted for movements in the fair value due to movements in the benchmark rate. The carrying amount of this borrowing was DKK 2,994m as at 31 December 2014.

A EUR 1,000m bond matured during the year and was replaced with a EUR bond of the same amount. The development in net interest-bearing debt is shown in section 4.2.

Cash flow from external financing

DKK million	2014	2013
Proceeds from issue of bonds	7,368	-
Repayment of bonds	-7,464	-1,731
Credit institutions, long-term	619	1,609
Credit institutions, short-term	-216	-22
Other financing liabilities	-325	256
Total	**-18**	**-417**

Accounting policies

Amounts owed to credit institutions, bonds etc. are recognised at the date of borrowing at fair value less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between the fair value less transaction costs and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases, which is measured at amortised cost. Other liabilities are measured at amortised cost.

4.4.2 Cash

In the statement of cash flows, bank overdrafts are offset against cash and cash equivalents as specified below.

DKK million	2014	2013
Cash and cash equivalents	2,418	3,612
Bank overdrafts	-240	-378
Cash and cash equivalents, net	**2,178**	**3,234**

Short-term bank deposits amounted to DKK 520m (2013: DKK 1,688m). The average interest rate on these deposits was 8.0% (2013: 8.2%).

Assessment of credit risk

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

The Group has established a credit policy under which financial transactions may be entered into only with financial institutions with a solid credit rating. The credit exposure on financial institutions is effectively managed by Group Treasury.

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

Group Treasury monitors the Group's gross credit exposure to banks and operates with individual limits on banks based on rating, level of government support and access to netting of assets and liabilities.

Exposure to credit risk

The carrying amount of DKK 2,418m (2013: DKK 3,612m) represents the maximum credit exposure related to cash and cash equivalents.
The credit risk on receivables is described in section 1.6.

Section 4.5 Foreign exchange risk related to net investments and financing activities

The Group is exposed to foreign exchange risk on the translation of the net result and net assets in foreign investments to DKK and on borrowings denominated in a currency other than the functional currency of the individual Group entity.

Section 4.5.1 Currency profile of the Group's borrowings

The Group is exposed to foreign exchange risk on borrowings denominated in a currency other than the Group's functional currency due to the foreign exchange risk as well as the risk that arises when net cash inflow is generated in one currency and loans are denominated in and have to be repaid in another currency.

At 31 December 2014, 42% of the Group's net financial debt was in DKK (2013: 6%) and 35% was in EUR (2013: 78%), cf. section 4.6.

Currency profile of borrowings before and after derivative financial instruments

DKK million	Original principal	Effect of swap	After swap
CHF	47	2,579	2,626
DKK	1,251	14,835	16,086
EUR	32,501	-18,806	13,695
GBP	2,996	-1,853	1,143
RUB	-1	130	129
USD	1,963	1,848	3,811
Other	1,543	1,267	2,810
Total	**40,300**	**-**	**40,300**
Total 2013	**39,429**	**-**	**39,429**

Section 4.5.2 Hedging of net investments in foreign subsidiaries

The Group holds a number of investments in foreign subsidiaries where the translation of net assets to DKK is exposed to foreign exchange risks. The Group hedges part of this foreign exchange exposure by entering into forward exchange contracts (net investment hedges). This applies to net investments in CHF, CNY and MYR. The basis for hedging is reviewed at least once a year, and the two parameters, risk reduction and cost, are balanced.

Where the fair value adjustments do not exceed the value adjustments of the investment, the adjustments of the financial instruments are recognised in other comprehensive income; otherwise the fair value adjustments are recognised in the income statement. For 2014, all fair value adjustments were recognised in other comprehensive income. The effect of net investment hedges on the income statement and other comprehensive income is summarised below.

Net investment hedges

	2014				2013			
Million	Hedging of investment, amount in local currency	Addition to net investment, amount in local currency	Total adjustment to other compre-hensive income (DKK)	Income statement (DKK)	Hedging of investment, amount in local currency	Addition to net investment, amount in local currency	Total adjustment to other compre-hensive income (DKK)	Income statement (DKK)
CNY	-1250	-	-131	-	-1,250	-	8	-
MYR	-336	-	-54	-				
HKD	0	1,428	32	-				
CHF	-430	-	-44	-	-380	-	29	-
GBP	-	97	75	-				
NOK	-	3000	-186	-	-	3,000	-326	-
SEK	-4048	-	197	-	-4,630	-	160	-
SGD	-	223	82	-	-	-	-39	-
Other	-	-	-21	-	-	-	50	-
Total			**-50**	**-**			**-118**	**-**

The most significant net risk relates to foreign exchange adjustment of net assets in RUB. This risk was not hedged during 2014.

Fair value adjustments of net investment hedges and loans classified as additions to net investments in the financial year are recognised in other comprehensive income and amounted to DKK -50m (2013: DKK -118m).

The fair value of derivatives used as net investment hedges recognised at 31 December 2014 amounted to DKK -52m (2013: DKK 35m).

Section 4.5.3 Financing of local entities.

The Group is exposed to foreign exchange risk on borrowings denominated in a currency other than the functional currency of the individual Group entity.

The main principle for funding of subsidiaries is that loans and borrowings should be in local currency or hedged to local currency to avoid foreign exchange risk. However, in some Group entities debt is denominated in a currency other than the local entity's functional currency without the foreign exchange risk being hedged. This applies primarily to a few entities in Eastern Europe and is based on an assessment of the alternative cost of financing the entity in the local currency. For the countries concerned, the interest rate level in the local currency, and thus the additional cost of financing in local currency, is so high that it justifies a foreign exchange risk. In some countries financing in local currency is not available at all.

The tables in the sensitivity analysis show the impact of a 10% adverse development in exchange rates for the relevant currencies at 31 December.

Section 4.5.4 Impact on financial statements and sensitivity analysis

Impact on operating profit

The impact on operating profit is primarily currency impact as described in section 1.4.

Impact on financial items, net

In 2014, the Group had net gains on foreign exchange and fair value adjustments of financial instruments of DKK 292m (2013: DKK 197m), cf. section 4.1.

Impact on statement of financial position

Fluctuations in foreign exchange rates will also affect the level of debt as funding is obtained in a number of currencies. In 2014, net interest-bearing debt increased by DKK 358m (2013: a decrease of DKK 139m) due to changes in foreign exchange rates. The main reason for the foreign exchange impact in 2014 was the appreciation of GBP/DKK and USD/DKK during 2014.

Impact on other comprehensive income

For 2014, the total losses on net investments (Carlsberg's share), loans granted to subsidiaries as an addition to the net investment and net investment hedges amounted to DKK -17,333m (2013: DKK -7,206m). Losses were primarily incurred in RUB, as the RUB/DKK rate depreciated 34% during the year.

Sensitivity analysis

An adverse development in the exchange rates would, all other things being equal, have the following hypothetical impact on the consolidated profit and loss for 2014. The hypothetical impact ignores the fact that the subsidiaries' initial recognition of revenue, cost and debt would be similarly exposed to the changes in the exchange rates. The calculation is made on the basis of items in the statement of financial position at 31 December.

Exchange rate sensitivity

DKK million	EUR receivable	EUR payable	EUR loans	EUR cash	Gross exposure	Derivative	Net exposure	% change	2014 Effect on P/L	2013 Effect on P/L
EUR/RUB	5	-125	-	11	-109	-	-109	10.00%	-11	-9
EUR/UZS	-	-6	-196	1	-201	-	-201	10.00%	-20	-21
EUR/OTHER	-	-	-	-	-	-	-		-	-5
Total									**-31**	**-35**

	USD receivable	USD payable	USD loans	USD cash	Gross exposure	Derivative	Net exposure	% change	Effect on P/L	Effect on P/L
USD/UAH	1	-44	-	285	242	-	242	10.00%	24	32
USD/KZT	-	-	-	-	-	-	-		-	-7
Total									**24**	**25**

Other comprehensive income is affected by changes in the fair value of currency derivatives designated as cash flow hedges of future purchases and sales. If the foreign exchange rates of the currencies hedged had been 5% higher on 31 December, other comprehensive income would have been DKK 145m lower (2013: DKK 162m lower).

Applied exchange rates

The DKK exchange rates applied for the most significant currencies when preparing the consolidated financial statements are presented below. The average exchange rate for the year was calculated using the monthly exchange rates weighted according to the phasing of the Group's net revenue throughout the year.

Applied exchange rates

	Closing Rate		Average Rate	
DKK	2014	2013	2014	2013
Swiss Franc (CHF)	6.1886	6.0856	6.1380	6.0589
Chinese Yuan (CNY)	0.9867	0.8929	0.9088	0.9144
Euro (EUR)	7.4436	7.4603	7.4554	7.4577
Pound Sterling (GBP)	9.5150	8.9195	9.2634	8.7930
Malaysian Ringgit (MYR)	0.0008	0.0007	0.0007	0.0007
Norwegian Krone (NOK)	0.8232	0.8854	0.8929	0.9538
Polish Zloty (PLN)	1.7269	1.7982	1.7837	1.7743
Russian Rouble (RUB)	0.1089	0.1659	0.1499	0.1759
Swedish Krona (SEK)	0.7856	0.8356	0.8183	0.8614
Ukrainian Hryvnia (UAH)	0.3870	0.6757	0.4676	0.7053

Section 4.6 Interest rate risk

The most significant interest rate risk in the Group relates to borrowings. As the Group's net debt is primarily in EUR and DKK, interest rate exposure relates to the development in the interest rates in these two currencies.

The interest rate risk is measured by the duration of the net borrowings. The target is to have a duration between one and five years. Interest rate risks are mainly managed using fixed-rate bonds and interest rate swaps.

Interest rate risk at 31 December

DKK million 2014	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
Issued bonds					
GBP 300m maturing 28 November 2016	Fixed	7.41%	1-2 years	2,994	Fair value
EUR 1,000m maturing 13 October 2017	Fixed	3.55%	2-3 years	7,408	Fair value
EUR 750m maturing 3 July 2019	Fixed	2.58%	4-5 years	5,594	Fair value
EUR 750m maturing 15 November 2022	Fixed	2.71%	>5 years	5,544	Fair value
EUR 1,000m maturing 28 May 2024	Fixed	2.63%	>5 years	7,353	Fair value
Total issued bonds		**3.37%**		**28,893**	
Total issued bonds 2013		**4.25%**		**28,868**	
Mortgages					
Floating-rate	Floating	1.02%	<1 year	1,248	Cash flow
Total mortgages		**1.02%**		**1,248**	
Total mortgages 2013		**0.99%**		**1,248**	
Bank borrowings					
Floating-rate	Floating	0.66%	<1 year	9,642	Cash flow
Fixed-rate	Fixed	4.94%	1-2 years	90	Fair value
Total bank borrowings				**9,732**	
Total bank borrowings 2013				**9,066**	

The EUR 1,000m bond maturing 28 May 2024 was issued in May 2014.

The EUR 750m bond maturing 3 July 2019 consists of two bond issues of EUR 250m and EUR 500m.

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

The mortgage was repriced in December 2014 at a rate of 0.37% (excl. margin) commencing in January 2015 and will be repriced again in July 2015. The time to maturity is more than five years. The mortgage is repriced semi-annually with reference to 6-month CIBOR.

The main part of the bank borrowings presented as having a fixed rate was originally at floating rate but has been swapped to a fixed rate of 4.94% incl. margin. The maturity of these interest rate swaps is less than one year.

Net financial interest-bearing debt by currency

DKK million				Interest rate	
2014	Net financial interest-bearing debt[1]	Floating[1]	Fixed[1]	Floating[2] %	Fixed[2] %
EUR	13,296	-12,664	25,960	19%	81%
DKK	16,070	16,070	-	100%	-
PLN	167	167	-	100%	-
USD	3,427	3,427	-	100%	-
CHF	2,631	2,631	-	100%	-
RUB	135	135	-	100%	-
Other	2,156	2,126	30	99%	1%
Total	**37,882**	**11,892**	**25,990**	**31%**	**69%**
2013				**Interest rate**	
EUR	28,191	6,549	21,642	30%	70%
DKK	1,818	1,818	-	100%	-
PLN	508	508	-	100%	-
USD	3,020	3,020	-	100%	-
CHF	1,857	1,857	-	100%	-
RUB	-653	-653	-	100%	-
Other	1,076	1,023	53	98%	2%
Total	**35,817**	**14,122**	**21,695**	**39%**	**61%**

Time to maturity for non-current borrowings

DKK million 2014	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	2,994	7,408	-	5,594	12,897	28,893
Mortgages	-	-	-	-	1,247	1,247
Bank borrowings	71	3	-	-	8,216	8,290
Other non-current borrowings	10	9	24	2	5	50
Total	**3,075**	**7,420**	**24**	**5,596**	**22,365**	**38,480**
Total 2013	**285**	**2,881**	**7,421**	**27**	**19,403**	**30,017**

Sensitivity analysis

At the reporting date, 69% of the net borrowings consisted of fixed-rate loans with rates fixed for more than one year (2013: 61%). It is estimated that an interest rate increase of 1 percentage point would lead to an increase in annual interest expenses of DKK 119m (2013: DKK 146m). The analysis assumes a parallel shift in the relevant yield curves and 100% effective hedging of changes in the yield curve.

At 31 December 2014, the duration of the borrowings can be specified as in the table below.

Duration

DKK million	2014	2013
Swaps	5	32
Bonds and other borrowings	1,447	1,037
Total duration	**1,452**	**1,069**
Duration in years	**3.8**	**3.0**

The increase in duration was primarily due to the issue of a new 10-year EUR 1bn bond. The Group did not enter into new swaps during 2014.

If the market interest rate had been 1 percentage point higher (lower) at the reporting date, it would have led to a financial gain (loss) of DKK 1,452m (2013: DKK 1,069m). However, since only interest rate swaps and not fixed-rate borrowings are recognised at fair value, marked-to-market, only the duration contained in financial instruments will impact other comprehensive income or the income statement.

It is estimated that DKK 5m (2013: DKK 32m) of the duration is contained in interest rate derivatives designated as cash flow hedges, meaning that the impact from changes in interest rates will be recognised in other comprehensive income, provided that the hedges are effective and that there is/are no ineffective portion(s). If the market interest rates had been 1 percentage point higher (lower) at 31 December 2014, equity would have been DKK 5m (2013: DKK 32m) higher (lower). The remaining duration is included in borrowings at fixed interest – primarily the issued bonds which are carried at amortised cost.

The sensitivity analysis is based on the financial instruments recognised at the reporting date. The sensitivity analysis assumes a parallel shift in interest rates and that all other variables, in particular foreign exchange rates and interest rate differentials between the different currencies, remain constant. The analysis was performed on the same basis as for 2013.

Section 4.7 Liquidity risk

Liquidity risk results from the Group's potential inability to meet the obligations associated with its financial liabilities, e.g. settlement of its financial debt and paying its suppliers. The Group's liquidity is managed by Group Treasury. The aim is to ensure effective liquidity management, which primarily involves obtaining sufficient committed credit facilities to ensure adequate financial resources, and to some extent tapping a diversity of funding sources.

Credit resources available

At 31 December 2014, the Carlsberg Breweries Group had net financial interest-bearing debt of DKK 37,882m (2013: DKK 35,817m). 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.

At 31 December 2014, the Group had total unutilised credit facilities of DKK 12,439m (2013: DKK 13,653m). Carlsberg is using the term Credit resources available to determine the adequacy of access to credit facilities. Credit resources available consist of the unutilised non-current credit facilities and cash and cash equivalents of DKK 2,418m (2013: DKK 3,612m) less utilisation of current facilities of DKK 1,820m (2013: DKK 9,412m).

A few insignificant non-current committed credit facilities include financial covenants with reference to the ratio between net debt and EBITDA. Management monitors this ratio, and at 31 December 2014 there was sufficient headroom below the ratio.

Committed non-current credit facilities and credit resources available at 31 December

DKK million				2013
2014	Total non-current committed loans and credit facilities	Utilised portion of credit facilities	Unused credit facilities	Unused credit facilities
<1 year	1,820	1,820	-	-
Total current committed loans and credit facilities	**1,820**	**1,820**	**-**	**-**
<1 year	-	-	-1,820	-9,412
1-2 years	5,037	3,075	1,962	2,001
2-3 years	7,420	7,420	-	-
3-4 years	24	24	-	-
4-5 years	5,596	5,596	-	-
>5 years	32,842	22,365	10,477	11,652
Total non-current committed loans and credit facilities	**50,919**	**38,480**	**10,619**	**4,241**
Cash and cash equivalents			2,418	3,612
Credit resources available (total non-current committed loans and credit facilities - net debt			**13,037**	**7,853**

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

The Group uses cash pools in its day-to-day liquidity management for most of the entities in Western Europe, as well as intra- Group loans between Group Treasury and subsidiaries. As a result of withholding tax and local legislation, the majority-owned entities in Eastern Europe have their own credit facilities and borrowings from banks.

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

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

Maturity of financial liabilities

DKK million 2014	Contractual cash flows	Maturity <1 year	Maturity >1 year <5 years	Maturity >5 years	Carrying amount
Derivative financial instruments					
Derivative financial instruments, payables	300	300	-	-	299
Non-derivative financial instruments					
Financial debt, gross	40,412	1,820	16,000	22,592	40,300
Interest expenses	5,329	1,124	2,780	1,425	N/A
Trade payables and other liabilities	14,098	14,098	-	-	14,098
Liabilities related to the acquisition of entities	1,859	503	287	1,069	1,859
Non-derivative financial instruments	**61,698**	**17,545**	**19,067**	**25,086**	**-**
Financial liabilities	**61,998**	**17,845**	**19,067**	**25,086**	**-**
Financial liabilities 2013	**60,203**	**25,645**	**13,288**	**21,270**	**-**

All items are stated at their nominal amounts. Derivative financial instruments are presented gross.

Derivative financial instruments are in general traded with the Group's relationship banks. The nominal amount/contractual cash flow of the financial debt is DKK 112m higher (2013: DKK 29m higher) than the carrying amount. The difference between the nominal amount and the carrying amount comprises differences between these amounts at initial recognition, which are treated as cost that is capitalised and amortised over the duration of the borrowings, and differences between nominal amounts and the fair values of bonds which are held at fair value, cf. section 4.4.

The interest expense is the contractual cash flows expected on the financial gross debt at 31 December 2014. For the part of bank borrowing that has been swapped, the expected interest expense (before swaps but including margin) has been included.

The expected net cash flow from the swaps related to the borrowings is included in the contractual cash flow for the derivative financial instrument. It should be noted that the cash flow regarding the interest expenses is estimated cash flow based on the notional amount of the above-mentioned borrowings and expected interest rates at year-end 2014 and 2013. Interest on debt recognised at year-end 2014 and 2013, for which no contractual obligation exists (current borrowing and part of the amount drawn on credit facilities and cash pools), has been included for a two-year period.

Section 4.8 Financial instruments

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

DKK million	2014 Fair value adjustment recognised in the income statement	2014 Fair value	2013 Fair value adjustment recognised in income statement	2013 Fair value
Exchange rate instruments	234	419	-8	264
Other instruments	0	0	-6	-2
Ineffective portion of hedge	-8	-	34	-
Total	**226**	**419**	**20**	**262**

Value adjustments of fair value hedges and financial derivatives not designated as hedging instruments in the financial year are recognised in the income statement. The adjustments are included in financial income and financial expenses, cf. section 4.1. In 2014, fair value adjustments amounted to DKK 226m (2013: DKK 20m).

The ineffective portion of hedge in 2014 relates to the ineffective portion of the Group's aluminium hedging scheme (DKK 4m) and the ineffective portion of certain foreign exchange hedges (DKK -12m). Both ineffective portions relate to hedged transactions that are expected to take place in 2015.

The fair value of the entire derivative classified as a cash flow hedge is presented in the cash flow hedge section below. Other instruments are primarily aluminium hedges, which were not classified as cash flow hedges.

The value of fair value hedges recognised at 31 December amounted to DKK 419m (2013: DKK 262m).

Cash flow hedges

Cash flow hedges comprise interest rate swaps where the hedged item is the underlying (floating-rate) borrowing (EUR 400m maturing June 2015), aluminium hedges where the hedged item is aluminium cans that will be used in a number of Group entities in Western Europe and Eastern Europe during 2015, and currency swaps to cover the foreign exchange risk on transactions expected to take place in 2015 and 2016.

Cash flow hedges

DKK million	2014 Fair value adjustment recognised in other comprehensive income	2014 Fair value	2014 Expected recognition	2013 Fair value adjustment recognised in other comprehensive income	2013 Fair value	2013 Expected recognition
Interest rate instruments	114	-56	2015	232	-174	2014-2015
Exchange rate instruments	-70	-42	2015-2016	-21	27	2014
Other instruments	156	33	2015	-82	-128	2014-2015
Total	**200**	**-65**		**129**	**-275**	

Fair value adjustments of cash flow hedges in the financial year are recognised in other comprehensive income and amounted to DKK 200m (2013: DKK 129m).

The fair value of cash flow hedges recognised at 31 December amounted to DKK -65m (2013: DKK -275m). This does not include the value of cash flow hedges closed and not yet transferred to the income statement.

The impact on other comprehensive income from exchange rate instruments relates to hedges of Group entities' purchases and sales in currencies other than their functional currencies. The impact on other comprehensive income from other instruments relates to hedges of Group entities' exposure to changes in aluminium prices.

Significant 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 hedge instruments is assessed at least quarterly. Any ineffectiveness is recognised in the income statement.

Accounting policies

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

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

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

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

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

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

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

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

Section 4.9 Determination of fair value

Carlsberg has no financial instruments measured at fair value on the basis of level 1 input (quoted prices) or level 3 input (non-observable data).

The fair value of borrowings is disclosed in section 4.4.1. The carrying amount of other financial assets and liabilities approximates their fair value.

Methods and assumptions to determine fair value

The methods and assumptions used in determining the fair values of each category of financial assets and financial liabilities are described below.

The methods are unchanged from 2013.

Category	Measurement method
Derivate financial instruments	Fair value is determined based on observable market data using generally accepted methods. Internally calculated values are used, and these are compared to external market quotes on a quarterly basis. Calculated by: Interest rate swaps a) estimating the notional future cash flows using observable market data such as yield b) discounting the estimated and fixed cash flow to present value c) translating the amounts in foreign currency into the functional currency at the year-end foreign exchange rate Currency and aluminium derivatives a) comparing the forward market rate with the agreed rate on the derivatives and calculating the difference in cash flow at the future point in time b) discounting the amounts to present value
Loans and other receivables	Carrying amount approximates fair value
On-trade loans	Recognised at amortised cost. Based on discounted cash flows using the interest rates at the end of the reporting year, these loans have a fair value of DKK 1,839m (2013: DKK 1,851m).
Other financial liabilities	Other financial liabilities, including issued bonds, mortgages, bank borrowings, finance lease obligations, trade payables and other liabilities, are measured at amortised cost with the exception of a GBP 300m bond, which is measured at fair value based on movements in a benchmark interest rate.

SECTION 5 – ACQUISITIONS, ASSOCIATES AND JOINT VENTURES

KEY DEVELOPMENTS 2014

- Chongqing Beer Group Assets Management
  - Acquisition of Chongqing Beer Group Assets Management Co. Ltd in October for a total consideration of DKK 1.7bn.
- Hanoi-Vung Tau Beer Joint Stock Company
  - Step acquisition of Hanoi-Vung Tau Beer Joint Stock Company in February for a consideration of DKK 92m. A gain of DKK13m was recognised following the revaluation of the previously held shareholding.
- Chongqing Brewery Group
  - Completion of the purchase price allocation following the acquisition of Chongqing Brewery Group in December 2013, with allocation of DKK 7.0bn to goodwill.

Section 5.1 Acquisition of subsidiaries

Acquisition of entities in 2014

In 2014, Carlsberg gained control of Chongqing Beer Group Assets Management Co. Ltd (China) and Maybev Pte Ltd. (Singapore) through acquisitions and of Hanoi-Vung Tau Beer Joint Stock Company (Vietnam) through a step acquisition.

Acquired entities

2014	Country of main operations	Previous method of consolidation	Previously held ownership interest	Acquired ownership interest	Total Carlsberg interest	Acquisition date	Main activity	Consideration DKK million
Chongqing Beer Group Assets Management Co. Ltd	China	Not applicable	Not applicable	100%	100%	23 Oct. 2014	Brewery	1,742
Maybev Pte Ltd.	Singapore	Not applicable	Not applicable	51%	51%	3 Apr. 2014	Sales	10
Hanoi-Vung Tau Beer Joint Stock Company	Vietnam	Equity method	55%	45%	100%	12 Feb. 2014	Brewery	92

The acquisition of Chongqing Beer Group Assets Management was a natural step in line with Carlsberg's strategy to gain further market shares in China and grow the business. The acquisition of Maybev expanded Carlsberg's premium drinks portfolio in Singapore and is in line with the premiumisation strategy in Asia. The step acquisition of Hanoi-Vung Tau Beer was carried out to obtain full control.

The calculated goodwill, DKK 1,428m in total, represents staff competences and synergies from optimisation of sales and distribution, supply chain and procurement. For the acquisitions of Chongqing Beer Group Assets Management and Chongqing Brewery Group (in 2013), it further represents the positive growth provided by the opportunity for Carlsberg to take full advantage of the potential of our international brands, including Tuborg, in the Chinese market in conjunction with the existing Carlsberg owned business. Increased sales volumes provide Carlsberg with the opportunity to generate significant synergies from supply chain optimisations, including reduced indirect production overheads and implementation of best practice in the brewing industry, and cost savings on procurement.

Consideration and goodwill recognised

DKK million	Chongqing Beer Group Assets Management	Other	Total
Fair value of consideration transferred for acquired ownership interest	1,742	97	1,839
Fair value of previously held ownership interest	-	43	43
Deferred consideration	-	5	5
Total cost of acquisition	**1,742**	**145**	**1,887**
Net assets of acquired entities, attributable to Carlsberg	-403	-56	-459
Goodwill from acquisitions	**1,339**	**89**	**1,428**
Revaluation of put option related to acquisitions in prior years recognised as goodwill			15
Total change in recognised goodwill			**1,443**

In October 2014 Carlsberg gained control of Chongqing Beer Group Assets Management following government approval of the transaction agreed in December 2013 at a purchase price of DKK 1,530m. In addition, a put option was granted allowing non-controlling interests of various subsidiaries in the group to be sold to Carlsberg at a price negotiated by the seller prior to the acquisition. The options were exercised before year-end 2014 at a total price of DKK 212m and are considered to be an integral part of the transaction.

Immediately following the acquisition, a number of the breweries in the group were put up for sale. As these breweries are expected to be disposed of within the next 12 months, they have been classified as assets held for sale in the opening statement of financial position. The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities is still ongoing. Adjustments are therefore expected to be made to all items in the opening statement of financial position, especially in relation to trademarks, property, plant and equipment and assets held for sale. Accounting for the acquisition will be completed within the 12-month period required by IFRS 3.

In April 2014, Carlsberg Singapore gained control of Maybev through the acquisition of a 51% shareholding. As Carlsberg effectively holds 51% of Carlsberg Singapore, the Group has an effective ownership interest of 26% in Maybev. 50% of the consideration was paid at completion, while the remaining 50% was paid in January 2015.

In February 2014, Carlsberg gained control of Hanoi-Vung Tau Beer through the acquisition of a 45% shareholding previously held by our partner. The shareholding in the company recognised prior to gaining control had a fair value that was higher than the carrying amount, leading to recognition of a revaluation adjustment of DKK 13m.

The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities has been completed for both Maybev and Hanoi-Vung Tau Beer.

Fair value of net assets acquired

DKK million	Chongqing Beer Group Assets Management	Other	Total
Intangible assets	78	17	95
Property, plant and equipment	244	143	387
Inventories	297	14	311
Loans and receivables, current	92	34	126
Cash and cash equivalents	137	21	158
Assets classified as held for sale	341	-	341
Borrowings	-315	-122	-437
Trade payables and other payables	-471	-43	-514
Net assets of acquired entities	**403**	**64**	**467**
Non-controlling interests' proportionate share of acquired net assets, recognised	-	-8	-8
Net assets of acquired entities, attributable to Carlsberg	**403**	**56**	**459**

Acquisition of entities in 2013

In 2013, Carlsberg gained control of Chongqing Brewery Group (China) and distribution entities acquired from Nordic Getränke (Germany).

Acquired entities

2013	Country of main operations	Previous method of consolidation	Previously held ownership interest	Acquired ownership interest	Total Carlsberg interest	Acquisition date	Main activity	Consideration DKK million
Chongqing Brewery Group	China	Equity method	30%	30%	60%	10 Dec. 2013	Brewery	2,646
Distribution entities	Germany	Equity method	50%	50%	100%	1 Jan. 2013	Logistics	143

These step acquisitions were a natural step for Carlsberg and in line with the strategy of obtaining full control of key operating activities. The calculation of goodwill, DKK 6,981m in total, represents staff competences, synergies and positive growth potential as described earlier in section 5.1.

Consideration and goodwill recognised

DKK million	Chongqing Brewery Group	Other	Total
Fair value of consideration transferred for acquired ownership interest	2,646	143	2,789
Fair value of previously held ownership interest	4,086	-	4,086
Fair value of put options recognised as part of acquisition	428	-	428
Total cost of acquisition	**7,160**	**143**	**7,303**
Net assets of acquired entities, attributable to Carlsberg	179	143	322
Goodwill from step acquisitions	**6,981**	**-**	**6,981**
Other adjustments of goodwill related to acquisitions in prior years			-184
Total change in recognised goodwill			**6,797**

The acquisition of Chongqing Brewery Group was completed through a partial takeover of 30.29% of the shares at a purchase price of DKK 2,646m. In addition, a put option was granted allowing a non-controlling interest of 4.95% of the shares to be sold to Carlsberg before December 2015. This put option was recognised at fair value amounting to DKK 428m. Prior to Carlsberg gaining control, Chongqing Brewery Group was classified as an associate and consolidated according to the equity method.

The acquisition of Chongqing Brewery Group was made in several steps over a period of 2-3 years, leading to Carlsberg gaining control in December 2013. The shareholding recognised prior to gaining control had a fair value equal to the carrying amount, and no revaluation adjustment was therefore recognised.

Adjustments were made in 2014 to the provisional purchase price allocation reported in 2013. Adjustments primarily related to the fair value of trademarks, property, plant and equipment and other provisions based on new information obtained within one year of the acquisition date concerning facts and circumstances that existed at the acquisition date.

The information comprises details on performance, strategy and potential for the individual trademarks; market dynamics; capacity, quality and maintenance level of the individual breweries. In addition, contractual and other agreements have been reviewed. The adjustment of fair value increased goodwill by DKK 815m to DKK 6,981m. A description of the items valued and the techniques and estimates applied is provided on the following pages. The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities was completed in 2014.

Fair value of net assets acquired

DKK million	Chongqing Brewery Group	Other	Total
Intangible assets	2,332	8	2,340
Property, plant and equipment	1,657	135	1,792
Financial assets, excl. deferred tax	104	29	133
Inventories	264	42	306
Loans and receivables, current	127	123	250
Cash and cash equivalents	470	5	475
Provisions	-1,510	-29	-1,539
Deferred tax assets and liabilities, net	-397	20	-377
Borrowings	-1,097	62	-1,035
Trade payables and other payables	-1,717	-248	-1,965
Net assets of acquired entities	**233**	**147**	**380**
Non-controlling interests' proportionate share of acquired net assets, recognised	-54	-4	-58
Net assets of acquired entities, attributable to Carlsberg	**179**	**143**	**322**

Significant accounting estimates and judgements

Purchase price allocation

For acquisitions of entities, the assets, liabilities and contingent liabilities of the acquiree are recognised using the acquisition method. The most significant assets acquired generally comprise goodwill, trademarks, non-current assets, receivables and inventories.

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

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

In a step acquisition, the Group gains control of an entity in which the Group already held a shareholding immediately before the step acquisition. Management estimates the total fair value of the shareholding in the entity held immediately after the completion of the step acquisition. The estimated total fair value is accounted for as the cost of the total shareholding in the entity. The shareholding held immediately before the step acquisition is remeasured at fair value at the acquisition date. The fair value is calculated as the estimated total fair value less the fair value of the consideration paid for the shareholdings acquired in the step acquisition and the fair value of non-controlling interests. The resulting gain or loss on the remeasurement is recognised in the income statement under special items.

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

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

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

Trademarks

The value of the trademarks acquired and their expected useful life are assessed based on the trademarks' market position, expected long-term developments in the relevant markets and the trademarks' profitability. The estimated value of acquired trademarks includes all future cash flows associated with the trademarks, including the value of customer relations etc. related to the trademarks. For most entities acquired there is a close relationship between trademarks and sales. Consumer demand for beer and other beverages drives sales, and therefore the value of a trademark 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.

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

The Chongqing and Shancheng trademarks were recognised as trademarks with indefinite useful life in the purchase price allocation for Chongqing Brewery Group.

For each trademark or group of trademarks, measurement is based on the relief from royalty method under which the value is calculated based on expected future cash flows for the trademarks on the basis of key assumptions about expected useful life, royalty rate and growth rate and a theoretically calculated tax effect. A post-tax discount rate is used which reflects the risk-free interest rate with the addition of a risk premium associated with the particular trademark. The model and assumptions applied are consistent with those used in impairment testing and described in further detail in section 2.3.3.

Customer agreements and portfolios

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

Fair value of property, plant and equipment

In business combinations, 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 cost method.

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

The fair value and expected useful life of brewery equipment and related buildings in the acquisitions of Chongqing Brewery Group and Hanoi-Vung Tau Beer have been estimated with assistance from leading external engineering experts in the brewery industry.

Assessment of control

The classification of entities where Carlsberg does not control 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, e.g. through casting vote, rights or exclusive reserved matters. In addition, it is considered how the operation of the entity is designed and who actually possesses the relevant knowledge and competences to operate the entity.

Accounting policies

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

The acquisition date is the date when the Carlsberg Breweries Group effectively obtains control of an acquired subsidiary or significant influence over an associate or joint venture.

The cost of a business combination comprises the fair value of the consideration agreed upon. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the fair value of that adjustment is included in the cost of the combination.

Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the presentation currency used in the Carlsberg Breweries Group are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date.

If uncertainties regarding measurement of acquired identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up until 12 months after the acquisition. The effect of the adjustments is recognised in the opening balance of equity and the comparative figures are restated accordingly.

Changes in estimates of contingent purchase considerations, except in cases of material error, are recognised in the income statement under special items. Changes in estimates of contingent purchase considerations in business combinations completed no later than 31 December 2009 are recognised as an adjustment to goodwill.

Step acquisitions
In a business combination achieved in stages (step acquisition), the shareholding held immediately before the step acquisition is remeasured at fair value at the acquisition date. The resulting gain or loss is recognised in the income statement under special items. The total fair value of the shareholding held immediately after the step acquisition is estimated and recognised as the cost of the total shareholding in the entity.

Non-controlling interests in a business combination
In each business combination, management decides whether or not to recognise goodwill related to non-controlling interests. If such goodwill is recognised, it is estimated based on the fair value of the non-controlling interests less the non-controlling interests' share of the fair value of acquired assets, liabilities and contingent liabilities.

Section 5.2 Impact from acquisitions

In 2014, Carlsberg gained control of various entities, cf. section 5.1, which impacted the income statement by the following amounts:

DKK million	2014	2013
Operating profit before special items	-12	-93
Net profit for the year	-21	-163
Net profit for the year had the acquisition been completed 1 January	-144	48

Section 5.3 Cash flow effect from acquisitions

The cash flow from acquisition of entities comprises the cash consideration paid net of cash and cash equivalents acquired with the entities.

Elements of cash consideration paid

DKK million

2014	Chongqing Beer Group Assets Management	Other	Total
Cash	1,742	97	1,839
Cash and cash equivalents acquired	-137	-21	-158
Total cash consideration paid	**1,605**	**76**	**1,681**

2013	Chongqing Brewery Group	Other	Total
Cash	2,646	143	2,789
Cash and cash equivalents acquired	-470	-5	-475
Total cash consideration paid	**2,176**	**138**	**2,314**

Section 5.4 Non-controlling interests

The Group has entities, primarily in Asia, which are not fully owned. The share of the consolidated profit attributable to the non-controlling interests is shown below.

Non-controlling interests' share of profit for the year

DKK million	2014	2013
Chongqing Brewery Group	28	-2
Carlsberg Malaysia Group	186	165
Asia, other	300	297
Other regions	10	18
Total	**524**	**478**

Transactions with non-controlling interests

DKK million 2014	Attributtable to shareholders in Carlsberg Breweries A/S	Other entities[1] Attributable to non-controlling interests
Consideration paid for acquisition of non-controlling interests	-250	-
Utilisation of liability recognised in previous periods to acquire non-controlling interests	43	-
Proportionate share of equity acquired from non-controlling interests	58	-58
Fair value adjustment of contingent consideration	-35	8
Recognised in equity	**-184**	**-50**
2013	**-332**	**-224**

[1] *Comprises acquisitions of shareholdings in*
2014*: Carlsberg South Asia Pte Ltd, South-East Asia Brewery Ltd., JSC Aldaris, PJSC Carlsberg Ukraine, Luen Heng F&B Sdn BHD, Solo AS and Carlsberg Serbia d.o.o.*

2013*: Carlsberg South Asia Pte Ltd, Lao Brewery Co. Ltd., JSC Aldaris, PJSC Carlsberg Ukraine, Luen Heng F&B Sdn BHD and Myanmar Carlsberg Co. Ltd.*

Contingent consideration

Fair value of contingent consideration is estimated using generally accepted valuation methods, including discounted cash flows and EBITDA multiples, in accordance with the agreements made with non-controlling interests. Estimates are based on updated information since initial recognition of the contingent consideration including new budgets and sales forecasts, discount rates etc.

The total fair value adjustment recognised in 2014 amounted to DKK 42m (2013: DKK 131m). Of this, the fair value adjustment of contingent consideration for acquisitions completed before 1 January 2010 amounted to DKK 15m (2013: DKK -6m), which was recognised as an adjustment to goodwill.

Accounting policies

On acquisition of non-controlling interests (i.e. subsequent to the Carlsberg Breweries Group obtaining control), acquired net assets are not remeasured 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 shareholders 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 shareholders in Carlsberg Breweries A/S to the non-controlling interests' share of equity.

Fair value adjustment of put options written on non-controlling interests on or after 1 January 2010 is recognised directly in the statement of changes in equity. Fair value adjustment of put options written no later than 31 December 2009 is recognised in goodwill.

Section 5.5 Associates and joint ventures

The Group gained control of Chongqing Brewery Group in December 2013. The group was subsequently derecognised as an associate and fully consolidated as a subsidiary. Accordingly, the 2013 profit after tax in associates and joint ventures includes 11 months' activity for Chongqing Brewery Group.

Section 5.1 contains a more detailed description of the acquisition and purchase price allocation for this transaction.

Key figures for associates and joint ventures

DKK million	Carlsberg Breweries Group share			
2014	Profit from continuing operations	Other comprehensive income	Total comprehensive income	Interests in associates and joint ventures
Associates	271	2	273	2,787
Joint ventures	134	-	134	992
	405	**2**	**407**	**3,779**
2013				
Associates	191	2	193	2,492
Joint ventures	167	-	167	799
	358	**2**	**360**	**3,291**

Fair value of investments in listed associates and joint ventures

DKK million	2014	2013
The Lion Brewery Ceylon, Biyagama, Sri Lanka	614	294
Total	**614**	**294**

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

The Group also has minor investments in entities in which the Group is unable to exercise significant influence.

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

Contingent Liabilities

The Group did not issue any guarantees for loans etc. raised by associates and joint ventures (non-consolidated share of loans) in 2014 (2013: DKK 71m).

Accounting policies

The proportionate share of the results of associates and joint ventures after tax is recognised in the consolidated income statement after elimination of the proportionate share of unrealised intra-Group profits/losses.

Investments in associates and joint ventures are recognised according to the equity method and measured at the proportionate share of the entities' net asset values calculated in accordance with the Group's accounting policies. The proportionate share of unrealised intra-Group profits and the carrying amount of goodwill are added, whereas the proportionate share of unrealised intra-Group losses is deducted.

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.

On acquisition of investments in associates and joint ventures, the acquisition method is used, cf. section 5.1.

SECTION 6 – TAX

KEY DEVELOPMENTS 2014

- 1,883m
  - Tax totalled DKK 1,883m, against DKK 2,025m in 2013.
- 27.2%
  - Tax rate of 27.2%, negatively impacted by the increased nominal weighted tax rate due to lower earnings in Russia, which has an lower-than-average tax rate.

Section 6.1 Corporation tax

Reconciliation of the effective tax rate for the year

	2014		2013	
	%	DKK million	%	DKK million
Nominal weighted tax rate for the Carlsberg Breweries Group	23.8%	1,650	21.0%	1,670
Change in tax rate	0.0%	-1	-0.2%	-19
Adjustments to tax for previous years	0.8%	53	-0.1%	-11
Non-capitalised tax assets, net movements	-0.5%	-37	2.8%	220
Non-taxable income	-0.4%	-27	-0.6%	-47
Non-deductible expenses	3.3%	227	3.0%	228
Tax incentives etc.	-0.6%	-43	-0.6%	-45
Special items	0.2%	12	-0.4%	-28
Withholding taxes	2.0%	141	1.3%	106
Other and tax in associates and joint ventures	-1.4%	-92	-0.7%	-49
Effective tax rate for the year	**27.2%**	**1,883**	**26.2%**	**2,025**

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.

Corporation tax

	2014			2013		
DKK million	Income statement	Other compre-hensive income	Total compre-hensive income	Income statement	Other compre-hensive income	Total compre-hensive income
Tax for the year can be specified as follows						
Current tax	2,252	-6	2,246	2,199	15	2,214
Change in deferred tax during the year	-421	132	-289	-144	188	44
Change in deferred tax from change in tax rate	-1	-	-1	-19	-	-19
Adjustments to tax for previous years	53	-16	37	-11	-	-11
Total	**1,883**	**110**	**1,993**	**2,025**	**203**	**2,228**

Tax recognised in other comprehensive income

	2014			2013		
DKK million	Recognised item before tax	Tax income/ expense	After tax	Recognised item before tax	Tax income/ expense	After tax
Foreign exchange adjustments	-16,938	-	-16,938	-7,495	-	-7,495
Hedging instruments	150	4	154	11	-8	3
Retirement benefit obligations	-1,207	-118	-1,325	825	-195	630
Share of other comprehensive income in associates and joint ventures	2	-	2	2	-	2
Effect of hyperinflation	-	-	-	61	-	61
Other	3	4	7	-28	-	-28
Total	**-17,990**	**-110**	**-18,100**	**-6,624**	**-203**	**-6,827**

Fair value adjustments of hedging instruments arise in Denmark, but it is not possible to deduct all fair value adjustments due to local thin capitalisation rules. Tax on such adjustments therefore fluctuates from year to year.

The tax effect regarding retirement benefit obligations in other comprehensive income has been materially impacted by an increase in the valuation allowance on net tax assets.

Prior-year adjustments of DKK 16m (2013: DKK 0m) are included in the tax income/ expense for hedging instruments.

Accounting policies

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

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 the profit/loss for the year. However, if the total tax deduction exceeds the total tax expense, the tax benefit for the excess deduction is recognised directly in equity.

Section 6.2 Deferred tax

Deferred tax assets and deferred tax liabilities

DKK million	2014	2013
Deferred tax at 1 January, net	7,476	7,738
Changes in accounting policies	-	19
Restated deferred tax at 1 January, net	7,476	7,757
Adjustments to previous years	49	-26
Acquisition of entities	-	377
Recognised in other comprehensive income	132	188
Recognised in the income statement	-421	-144
Change in tax rate	-1	-19
Foreign exchange adjustments	-2,073	-657
Deferred tax at 31 December, net	**5,162**	**7,476**
Specified as follows		
Deferred tax liabilities	6,442	8,553
Deferred tax assets	-1,280	-1,077
Deferred tax at 31 December, net	**5,162**	**7,476**

Specification of deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
DKK million	2014	2013	2014	2013
Intangible assets	624	735	5,358	7,049
Property, plant and equipment	466	362	1,999	2,497
Current assets	155	160	34	45
Provisions and retirement benefit obligations	621	654	73	54
Fair value adjustments	23	29	53	165
Tax losses etc.	1,271	1,405	805	1,011
Total before set-off	**3,160**	**3,345**	**8,322**	**10,821**
Set-off	-1,880		-1,880	-2,268
Deferred tax assets and liabilities at 31 December	**1,280**	**1,077**	**6,442**	**8,553**
Expected to be used as follows				
Within 12 months after the end of the reporting period	264	302	402	509
More than 12 months after the end of the reporting period	1,016	775	6,040	8,044
Total	**1,280**	**1,077**	**6,442**	**8,553**

Of the total deferred tax assets recognised, DKK 618m (2013: DKK 708m) relates 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 the tax loss carryforwards can be utilised.

Tax assets not recognised, DKK 1,437m (2013: DKK 1,411m), primarily related to tax losses which are not expected to be utilised in the foreseeable future. Tax losses that will not expire amounted to DKK 920m (2013: DKK 1,104m).

Deferred tax of DKK 34m (2013: DKK 77m) was recognised in respect of earnings in entities in the Eastern Europe region which are intended for distribution in the short term, as tax of 5% is payable on distributions. For other subsidiaries where distributable reserves are planned to be distributed, any distribution of earnings will not trigger a significant tax liability based on current tax legislation.

Deferred tax on temporary differences relating to investments in subsidiaries, associates and joint ventures amounted to DKK 0m (2013: DKK 0m).

Significant accounting estimates and judgements

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

Accounting policies

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

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

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

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

Deferred tax assets and tax liabilities are offset if the entity has a legally enforceable right to offset current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets or to realise the assets and settle the liabilities simultaneously. Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

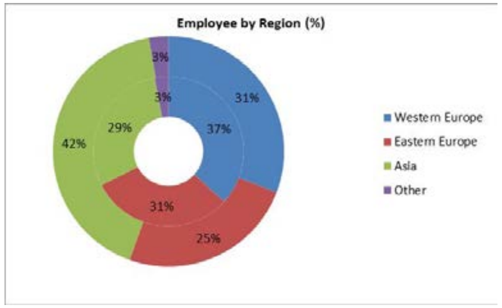
Adjustments are made to deferred tax resulting from elimination of unrealised intra-Group profits and losses.

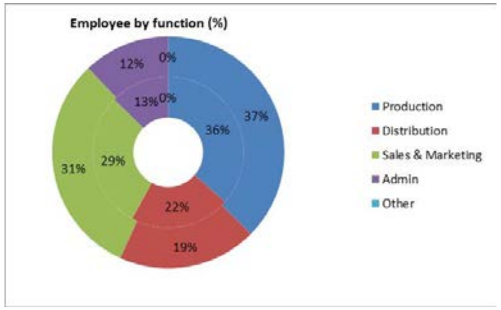
Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the end of the reporting period and when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income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

SECTION 7 - STAFF COSTS AND REMUNERATION

KEY DEVELOPMENTS 2014

- 46,738
  - Average number of employees increased by 8,127 as a result of acquisition of entities in Asia.
- Increase in defined benefit obligations
  - Decrease in the average discount rate, leading to an increase in retirement benefit obligations for the largest plans in the Group.





Section 7.1 Staff costs

Staff costs

DKK million	2014	2013
Salaries and other remuneration	7,983	7,873
Severance pay	337	124
Social security costs	1,355	1,325
Retirement benefit costs – defined contribution plans	258	153
Retirement benefit costs – defined benefit plans	215	247
Share-based payment	36	57
Other employee benefits	215	181
Total	**10,399**	**9,960**
Average number of employees	46,738	38,611
Staff costs are included in the following items in the income statement		
Cost of sales	2,821	2,698
Sales and distribution expenses	5,318	5,202
Administrative expenses	2,227	1,906
Other operating activities, net	2	3
Special items (restructurings)	31	151
Total	**10,399**	**9,960**

The average number of employees increased, driven by the acquisition of entities, primarily Chongqing Brewery Group in December 2013 and Chongqing Beer Group Assets Management in October 2014.

Section 7.2 Remuneration

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

	Executive directors				Key management personnel		Supervisory Board	
	Jørgen Buhl Rasmussen		Jørn P. Jensen					
DKK million	2014	2013	2014	2013	2014	2013	2014	2013
Fixed salary	11.2	11	9.7	9.5	56.2	52.0	8.26	8.26
Cash bonus	3.5	4.7	3.1	4.1	27.7	21.1	-	-
Non-monetary benefits	0.3	0.3	0.3	0.3	7.4	7.5	-	-
Share-based payment	10.1	8.6	8.4	7.3	3.9	6.8	-	-
Total	**25.1**	**24.6**	**21.5**	**21.2**	**95.2**	**87.4**	**8.26**	**8.26**

Employment contracts for the executive directors contain terms and conditions that are considered common to executive board members in Danish listed companies, including terms of notice and noncompetition clauses.

For 2015, the potential maximum bonus will remain at 100% of fixed salary, with a bonus equal to 60% of fixed salary payable for on-target performance. A scorecard of performance measures is used to assess performance, cf. Remuneration report, and the measures are the same as those applied for 2014.

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

Key Management personnel

Key management personnel comprise the Executive Committee and CEOs in the most significant Group entities. Other management personnel comprise Vice Presidents and other key employees in central functions as well as the management of significant subsidiaries. The key management personnel are, together with the executive directors, responsible for planning, directing and controlling of the Group's activities.

Accounting policies

Staff costs comprise wages and salaries, social security contributions, paid leave and sick leave, bonuses and other employee benefits and are recognised in the financial year in which the employee renders the related service. Further, 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.

Section 7.3 Share-based payments

The Carlsberg Breweries Group has set up share-based incentive programmes to attract, retain and motivate the Group's executive directors and other levels of management personnel and to align their interests with those of the shareholders. No share-based incentive programme has been set up for Carlsberg Breweries A/S's Supervisory Board.

The current programmes are the share option programme, the long-term incentive programme (performance shares) and the long-term incentive programme (PSU). All programmes are equity-settled programmes.

The fair value at 31 December 2014 was DKK 206m (2013: DKK 363m).

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

General terms and conditions for the three programmes

	Share option programme		Long-term incentive programme (performance shares)		Long-term incentive programme (PSU)	
Carlsberg Breweries Group	2014	2013	2014	2013	2014	2013
Granted in the year	95,000	91,000	339,541	372,049	-	-
Number of employees	2	2	331	336	-	-
DKK million						
Fair value at grant date	16	15	156	160	-	-
Cost of share-based payment granted in the year recognised in the income statement	4	3	17	17	-	-
Total cost of share-based payment granted 2011-2014 (2010-2013)	17	15	12	17	7	25
Not recognised in respect of share-based payments expected to vest	19	20	62	60	-	30

	Share option programme	Long-term incentive programme (performance shares)	Long-term incentive programme (PSU)
Years granted	Every year since 2001	Every year since 2013	Only in 2012
Equity-settled scheme	Each share option entitles the holder to purchase one class B share in Carlsberg A/S. The options may only be settled in shares. The Group has not purchased a significant number of treasury shares to meet this obligation. Treasury share holdings in Carlsberg A/S at 31 December 2014 totalled 18,452 shares (2013: 23,941 shares).	The long-term incentive programme is settled in performance shares. A participant in the programme will receive a number of Carlsberg B shares. For each grant, the exact number of shares granted is determined after publication of the Annual Report for the last year in the vesting period.	The long-term incentive programme is settled in performance share units (PSUs). A participant in the programme will receive a number of PSUs, each giving the right to receive one Carlsberg B share. The exact number of PSUs granted is determined after publication of the Annual Report for the year in which the PSUs are granted.
Valuation	The fair value of granted share options is estimated using the Black-Scholes call option-pricing model based on the exercise price. The share price and the exercise price for share options are calculated as the average price of Carlsberg A/S's class B shares on NASDAQ OMX Copenhagen during the first five trading days after publication of Carlsberg A/S's Annual Report following the granting of the options.	Calculation of the number of performance shares is based on the estimated number of performance shares expected to vest. The final number of performance shares is the number that ultimately vest. The fair value of performance shares is calculated at the grant date using a stochastic valuation model.	The value of PSUs is calculated using the same method as for the share option programme, although not until after publication of the Annual Report in the year following the grant year. The value of the remuneration received under the long-term incentive programme is calculated as a predetermined percentage of the employee's yearly salary. Based on the Group's performance in 2012, this percentage was adjusted to 124% of the predetermined percentage in accordance with the programme rules.
Time of valuation of option	Immediately after publication of the Annual Report for the Carlsberg Group for the prior reporting period.	Immediately after publication of the Annual Report for the Carlsberg Group for the prior reporting period.	Immediately after publication of the Annual Report for the Carlsberg Group for the grant year.
Vesting conditions	3 years of service.	3 years of service and achievement of 4 KPIs in the vesting period.	3 years of service and the Carlsberg Group's financial performance for the grant year.
Earliest time of exercise	3 years from grant date.	-	-
Latest time of exercise	8 years from grant date.	Shares are transferred to the employee immediately after they have vested.	Shares are transferred to the employee immediately after PSUs have vested in February 2015.

Significant accounting estimates

For share options and PSUs granted or measured after 1 January 2010, the volatility is based on presently observed data on Bloomberg's Options Valuation Function, while prior to 2010 it was based on the historical volatility of the price of Carlsberg A/S's class B shares over the previous two years. For performance shares, the volatility is based on similar data over the previous three years.

The risk-free interest rate is the interest rate on Danish government bonds of the relevant maturity, while the dividend yield is calculated as the expected future dividends at the grant date of DKK 8.00-9.50 per share (2013: DKK 5.50 per share) divided by the share price. The fair value at 31 December 2014 has been calculated by applying an expected dividend of DKK 9.00 per share.

For share options, performance shares and PSUs granted or measured after 1 January 2010, the expected life is based on exercise at the end of the exercise period, while for share options granted prior to 2010, it was based on exercise in the middle of the exercise period.

Share-based incentive programmes

	Exercise price					Number
Share option programme	Fixed, weighted average	Executive directors	Key management personnel	Other management personnel	Resigned employees	Total
Share options outstanding at 31 December 2012	**413.92**	**420,604**	**76,756**	**349,609**	**255,055**	**1,102,024**
Granted	573.50	91,000	-	-	-	91,000
Forfeited/expired	305.22	-	-	-2,550	-	-2,550
Exercised	363.46	-12,388	-19,648	-145,129	-80,792	-257,957
Transferred	342.73	-	-	-7,417	7,417	-
Share options outstanding at 31 December 2013	**444.16**	**499,216**	**57,108**	**194,513**	**181,680**	**932,517**
Granted	583.10	95,000	-	-	-	95,000
Forfeited/expired	428.63	-	-	-7,034	-2,787	-9,821
Exercised	388.72	-12,388	-6,858	-20,505	-49,247	-88,998
Transferred	438.52	-	-	-33,694	33,694	-
Share options outstanding at 31 December 2014	**463.85**	**581,828**	**50,250**	**133,280**	**163,340**	**928,698**
Long-term incentive plan (performance shares)						
Performance shares outstanding at 31 December 2012		**-**	**-**	**-**	**-**	**-**
Granted		45,135	52,535	274,379	-	372,049
Forfeited/expired/adjusted		-23,695	-30,167	-140,823	-485	-195,170
Transferred		-	-	-924	924	-
Performance shares outstanding at 31 December 2013		**21,440**	**22,368**	**132,632**	**439**	**176,879**
Granted		40,925	43,470	255,146	-	339,541
Forfeited/expired/adjusted		-53,756	-62,992	-331,018	-3,851	-451,617
Exercised		-	-	-	-938	-938
Transferred		-	4,858	-10,226	5,368	-
Performance shares outstanding at 31 December 2014		**8,609**	**7,704**	**46,534**	**1,018**	**63,865**
Long-term incentive programme (PSU)						
Performance share units outstanding at 31 December 2012		**-**	**24,595**	**168,830**	**9,530**	**202,955**
Forfeited/expired/adjusted		-	3,278	19,061	-6,786	15,553
Transferred		-	-3,614	-11,955	15,569	-
Performance share units outstanding at 31 December 2013		**-**	**24,259**	**175,936**	**18,313**	**218,508**
Forfeited/expired/adjusted		-	-4,770	-29,284	-13,272	-47,326
Exercised		-	-	-	-695	-695
Transferred		-	-2,034	-6,340	8,374	-
Performance share units outstanding at 31 December 2014		**-**	**17,455**	**140,312**	**12,720**	**170,487**

170,487 PSUs are expected to vest in February 2015. Immediately after vesting, they will be converted to Carlsberg B shares and transferred to the employees.

The granted number of performance shares included in the specification is the number of performance shares that are expected to vest. The estimated number is revised on a regular basis until vesting. Transferred performance shares and PSUs comprise performance shares and PSUs that have been granted to employees who have either moved between management categories or left the Group during the year. Adjusted performance shares and PSUs comprise the change in the number of performance shares and PSUs expected to vest based on an assessment of the extent to which the vesting conditions are expected to be met.

Key information

	Share options		Performance shares		Performance share units	
	2014	2013	2014	2013	2014	2013
Average share price at the exercise date for share options exercised in the year	564	583	-	-	-	-
Weighted average contractual life for awards outstanding 31 December	3.3	3.8	1.7	2.4	0.2	1.2
Range of exercise prices for share options outstanding 31 December	203,50 - 583,10	203,50 - 573,50	-	-	-	-
Exercisable outstanding share options 31 December	611,198	648,817	None	None	None	None
Weighted average exercise price for share options exercisable 31 December	433	414	-	-	-	-
Assumptions						
Exercise price	583.10	573.50	None	None	No grant	No grant
Expected volatility	28%	27%	28%	28%	-	-
Risk-free interest rate	1.9%	1.5%	0.2%	0.2%	-	-
Expected dividend yield	1.7%	1.0%	1.6%	1.1%	-	-
Expected life of options, years	8.0	8.0	3.0	3.0	-	-
Fair value at measurement date	167.39	167.98	459.44	429.92	-	-

Accounting policies

The fair value of equity-settled programmes is measured at the grant date and recognised in the income statement under staff costs, net, over the vesting period with a corresponding increase in equity.

The fair value of granted share options and PSUs is estimated using the Black-Scholes call option-pricing model, taking into account the terms and conditions upon which the options were granted.

The fair value of granted performance shares is estimated using a stochastic (quasi-Monte Carlo) valuation model and a Black-Scholes call option-pricing model, taking into account the terms and conditions upon which the performance shares were granted.

On initial recognition of share options, PSUs and performance shares, an estimate is made of the number of awards expected to vest.

The estimated number is subsequently revised for changes in the number of awards expected to vest. Accordingly, recognition is based on the number of awards that ultimately vested.

Section 7.4 Retirement benefit obligations and similar obligations

A number of the Group's employees are covered by retirement benefit plans. The nature of the retirement benefit plans varies depending on labour market conditions, legal requirements, tax legislation and economic conditions in the individual countries. Benefits are generally based on wages and salaries and length of employment. Retirement benefit obligations cover both present and future retirees' entitlement to retirement benefits.

The future retirement obligation is primarily based on seniority and salary at the point of retirement.

Defined contribution plans

Approximately 55% (2013: approximately 39%) of the Group's retirement benefit costs relate to defined contribution plans, which limit the Group's obligation to the contributions paid. The retirement benefit plans are funded by payments to funds that are independent of the Group.

Defined benefit plans

The defined benefit plans typically guarantee the employees covered a retirement benefit based on the salary at the time of retirement. For defined benefit plans, the Group assumes the risk associated with future developments in interest rates, inflation, mortality and disability etc.

The majority of the obligations are funded, with assets placed in independent pension funds in e.g. Switzerland, the UK and Hong Kong.

In some countries, primarily Germany, Sweden and Italy, the obligation is unfunded. For these unfunded plans, the retirement benefit obligations amounted to DKK 1,896m (2013: DKK 1,536m) or approximately 14% (2013: 14%) of the total gross liability.

The Group's obligation, net, is specified below.

			2014			2013
DKK million	Present value of obligation	Fair value of plan assets	Obligation, net	Present value of obligation	Fair value of plan assets	Obligation, net
Obligation at 1 January	11,091	7,843	3,248	11,561	7,648	3,913
Change in accounting policies	-	-	-	-29	-33	4
Restated obligation at 1 January	11,091	7,843	3,248	11,532	7,615	3,917
Recognised in the income statement						
Current service cost	252	-	252	221	-	221
Interest cost	371	-	371	332	-	332
Expected return on plan assets	-	245	-245	-	217	-217
Curtailments and settlements	-37	-	-37	26	-	26
Total	586	245	341	579	217	362
Remeasurements						
Gain/loss from changes in actuarial assumptions	74	-2	76	28	-2	30
Gain/loss from changes in financial assumptions	1,530	399	1,131	-510	347	-857
Total	1,604	397	1,207	-482	345	-827
Other changes						
Contributions to plans	-	262	-262	6	252	-246
Benefits paid	-505	-402	-103	-474	-399	-75
Acquisition and disposal of entities	-	-	-	199	-	199
Disposals and transfers	-332	-327	-5	-	2	-2
Foreign exchange adjustments etc.	396	284	112	-269	-189	-80
Obligation at 31 December	12,840	8,302	4,538	11,091	7,843	3,248

The total return on plan assets for the year amounted to DKK 642m (2013: DKK 562m).

During 2014 the majority of the Norwegian defined benefit plan was transferred to an external pension fund.

The Group expects to contribute DKK 34m (2013: DKK 22m) to the plan assets in 2015.

Breakdown of plan assets

		2014		2013
	DKK million	%	DKK million	%
Shares	3,101	37%	2,834	37%
Bonds and other securities	3,125	38%	3,485	38%
Real estate	1,772	21%	1,192	21%
Cash and cash equivalents	304	4%	332	4%
Total	**8,302**	**100%**	**7,843**	**100%**

Plan assets do not include shares in or properties used by Group companies.

The actuarial loss and foreign exchange adjustment recognised in other comprehensive income amounted to DKK -1,319m (2013: DKK -907m). The accumulated amount recognised at 31 December 2014 was DKK -3,633m (2013: DKK -2,314m), of which actuarial losses, net totalled DKK 3,463m (2013: DKK 2,256m).

7.4.1 Significant assumptions applied

The UK represents 47% (2013: 42%), Switzerland 37% (2013: 39%), and the eurozone countries 6% (2013: 7%) of the gross obligation.

The two most significant plans in the Group are in Carlsberg UK and in the Swiss entities, including Feldschlösschen. The mortality tables used in Carlsberg UK are S1PMA/S1PFA tables for post-retirement and AMC00/AFC00 for pre-retirement, both with CMI_2013 projections, while the Swiss entities use the BVG 2010-2014 (KJ) mortality table for valuation of their retirement obligations.

The main assumptions applied in calculating the defined benefit obligations can be summarised as follows:

Assumptions applied

					2014					2013
%	CHF	UK	EUR	Others	Weighted average	CHF	UK	EUR	Others	Weighted average
Discount rate	1.2%	3.5%	1.9 - 2.8%	1.9 - 16.0%	2.2%	2.1%	4.5%	2.4 - 4.0%	2.1 - 18.6%	3.1%
Future salary increases	1.0%	2.6%	1.7 - 2.0 %	0.0 - 16.0 %	1.8%	1.0%	3.0%	1.0 - 3.0 %	3.5 - 16.0 %	2.0%

7.4.2 Sensitivity analysis

The table below shows a sensitivity analysis of the total calculated retirement benefit obligation.

Sensitivity analysis

DKK million	2014	2013
Reported pension obligation	12,840	11,091
Sensitivity relating to the discount rate		
Discount assumption +0.5%	-1,002	-781
Discount assumption -0.5%	1,856	555
Sensitivity relating to increase in future salary		
Future salary assumption +0.5%	779	180
Future salary assumption -0.5%	-774	-251
Sensitivity relating to mortality		
Mortality assumption +1 year	291	154
Mortality assumption -1 year	-820	-153

The sensitivity analysis is based on a change in one of the assumptions while all other assumptions remain constant. This is highly unlikely as a change in one assumption will 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 pension liability recognised in the statement of financial position.

Expected maturity and duration

Retirement benefit obligations are primarily expected to mature after 5 years. The non-discounted maturity is:

Maturity of pensions obligations

DKK million	<1 year	1-5 years	> 5 years	Total
Pension benefits	375	1,750	23,497	25,622

The expected duration of the obligations at year-end 2014 was 23 years, comprising active employees at 25 years and retired employees at 17 years.

The duration is calculated using a weighted average of the duration compared to the benefit obligation.

Significant accounting estimates and judgements

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

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

The actuarial assumptions underlying the calculations and valuations vary from country to country due to local economic conditions and labour market conditions.

The present value of the net obligation is calculated using the expected long-term interest rate in each country, where available, based on long-term government bonds.

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, for example using estimates of mortality improvements. 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

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions to defined contribution plans 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.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and previous years. The future benefits are discounted to determine the present value. The calculation is performed annually by a qualified actuary.

The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The actuarial present value less the fair value of any plan assets is recognised in the statement of financial position under retirement benefit obligations.

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

If changes in benefits relating to services rendered by employees in previous years result in changes in the actuarial present value, the changes are recognised as historical costs. Historical costs are recognised immediately, provided employees have already earned the changed benefits. If employees have not earned the benefits, the historical costs are recognised in the income statement over the period in which the changed benefits are earned by the employees.

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

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

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

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

SECTION 8 – OTHER DISCLOSURE REQUIREMENTS

Section 8.1 Related party disclosure

Related parties exercising control

Carlsberg A/S, Ny Carlsberg Vej 100, DK, 1799 Copenhagen V, Denmark, holds all the shares in Carlsberg Breweries A/S. During the year, the Group had balances with the parent company. The balances were subject to arm's length terms and prices. No transactions were carried out with Carlsberg A/S during the year.

Related parties exercising significant influence

During the year the Carlsberg Breweries Group was not involved in any transactions with major shareholders, members of the Supervisory Board, members of the Executive Board, key management personnel, or companies outside the Carlsberg Breweries Group in which these parties have significant influence.

Related parties also include the Group's associates and joint ventures.

The income statement and the statement of financial position include the following transactions

	Associates and joint ventures	
DKK million	2014	2013
Revenue	234	215
Cost of sales	-226	-339
Loans	194	212
Receivables	35	31
Trade payables and other liabilities etc.	-13	-29

Section 8.2 Fees to auditors

Fees to the auditors appointed by the Annual General Meeting are specified as follows.

DKK million	2014	2013
KPMG		
Statutory audit	23	25
Assurance engagements	1	-
Tax advisory	3	4
Other services	5	11

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

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

Section 8.3 Events after the reporting period

In January 2015 the Group announced the closure of two breweries in Russia. The impairment losses relating to these closures have been recognised under special items in 2014, cf. section 3.1, while the related restructuring cost will be recognised when the obligations arise during 2015. The restructuring cost will be recognised under special items and therefore has no impact on adjusted net profit.

Apart from the events recognised or disclosed in the consolidated financial statements, including the closures mentioned above, no events have occurred after the reporting period of importance to the consolidated financial statements.

SECTION 9 – BASIS FOR PREPARATION

KEY DEVELOPMENTS 2014

- Change in consolidation method
    - Changed consolidation method for investments in joint ventures as the Group has implemented IFRS 10-12, including amendments, and the amendments to IAS 27-28.

- Change in classification in the statement of cash flows
    - Changed classification of duties payable and amortisation of on-trade loans.

Section 9.1 Significant accounting estimates

In preparing the Carlsberg Breweries Group's consolidated financial statements, management makes various accounting estimates, judgements and assumptions which form the basis of presentation, recognition and measurement of the Group's assets and liabilities.

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

The significant accounting estimates and judgements made and the accounting policies specific to the income statement, statement of financial position and statement of cash flows are presented in the explanatory notes in section 1-7.
The most significant accounting estimates and judgements performed relate to these areas:

- Business combinations : Section 5
- Impairment testing : Section 2
- Useful life and residual value of intangible assets with finite useful life and property, plant and equipment : Section 2
- Restructurings : Section 3
- Provisions and contingencies : Section 3
- Receivables : Section 1
- Deferred tax assets : Section 6
- Retirement benefit obligations and similar obligations : Section 7

Accounting policies for more general areas, including consolidation, financial instruments and segmentation, are presented on the following pages.

Section 9.2 General accounting policies

The 2014 consolidated financial statements of the Carlsberg Breweries Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies, cf. the statutory order pursuant to the Danish Financial Statements Act.

The consolidated financial statements are presented in Danish kroner (DKK), which is the Parent Company's functional currency.

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities measured at fair value: derivative financial instruments, financial instruments in the trading portfolio and financial instruments classified as available-for-sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the carrying amount before the changed classification and fair value less costs to sell.

Changed accounting policies and classification in the Annual Report 2014

Apart from the implementation of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", all including amendments, and the amendments to IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", the Annual Report has been prepared using the same accounting policies for recognition and measurement as those applied to the consolidated financial statements for 2013.

The implementation of IFRS 10-12 and the amendments to IAS 27-28 as of 1 January 2014 impacted the Group's financials and segments, as entities which were previously proportionately consolidated are now accounted for using the equity method.

The consequences of the change in consolidation method were assessed for each individual shareholding taking the changed guidance on assessment of control into consideration. The change primarily impacted the consolidation method for Unicer (Portugal) and Cambrew (Cambodia).

The effect of the change in accounting policies was recognised in the opening balances at 1 January 2013 in accordance with the specific transition requirements in the standards. Comparative figures for 2013 have been restated accordingly.

The changed consolidation method impacted all line items in the statement of financial position and statement of cash flows due to deconsolidation of the previously proportionately consolidated share of the entities. The changes in accounting policies had no impact on the equity attributable to shareholders in Carlsberg Breweries A/S, whereas the equity attributable to non-controlling interests at 31 December 2013 decreased by DKK 13m.

The free cash flow at 31 December 2013 was reduced by DKK 99m, whereas cash flow from financing activities increased by DKK 49m.

The impact of the changed accounting policies on the key financials for the Group for 2013 is specified in the tables. Reported figures for 2013 are stated as reported in the Annual Report for 2013 but adjusted for the completion of the purchase price allocation for Chongqing Brewery Group. Restated figures for 2013 are stated as reported in the Annual Report for 2014.

Impact on the income statement

DKK million	2013 Reported	2013 Restated
Net revenue	**66,552**	**64,350**
Cost of sales	-33,622	-32,423
Gross profit	**32,930**	**31,927**
Sales and distribution expenses	-18,717	-18,181
Administrative expenses	-4,464	-4,375
Other operating activities, net	129	133
Share of profit after tax, associates and joint ventures	104	358
Operating profit before special items	**9,982**	**9,862**
Special items, net	-473	-442
Financial income	725	721
Financial expenses	-2,237	-2,207
Profit before tax	**7,997**	**7,934**
Corporation tax	-2,086	-2,025
Consolidated profit	**5,911**	**5,909**

Impact on the statement of financial position

DKK million	2013	2013
Assets	Reported	Restated
Total non-current assets	120,648	120,169
Total current assets	21,015	20,350
Total assets	**141,663**	**140,519**
Equity and liabilities		
Equity, shareholders in Carlsberg A/S	57,063	57,063
Non-controlling interests	3,203	3,190
Total equity	**60,266**	**60,253**
Total non-current liabilities	46,097	45,597
Total current liabilities	35,300	34,669
Total equity and liabilities	**141,663**	**140,519**

Impact on the statement of cash flows

DKK million	2013 Reported	2013 Restated
Operating profit before depreciation, amortisation and impairment losses	**13,963**	**13,723**
Cash flow from operating activities	9,341	8,397
Total operational investments	-6,101	-5,361
Free operating cash flow	**3,240**	**3,036**
Cash flow from investing activities	-8,831	-7,986
Free cash flow	**510**	**411**
Cash flow from financing activities	-2,058	-2,009
Net cash flow	**-1,548**	**-1,598**

Furthermore, amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets” and IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”, as well as IFRIC 21 “Levies”, have been implemented without impacting the financial reporting.

Additionally, the classification of duties payable and amortisation of on-trade loans in the statement of cash flows was changed as of 1 January 2014. Duties payable are now included in change in trade working capital, whereas in prior periods they were included in change in other working capital. Amortisation of on-trade loans is now included in change in on-trade loans, whereas in prior periods it was included in adjustment for non-cash items. Comparative figures have been restated accordingly.

The accounting policies set out below have been used consistently in respect of the financial year and the comparative figures.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Carlsberg Breweries A/S, and subsidiaries in which Carlsberg Breweries A/S has control, i.e. the power to govern the financial and operating policies. Control is obtained when Carlsberg Breweries A/S directly or indirectly owns or controls more than 50% of the voting rights in the subsidiary or has control in some other way.

Entities over which the Group exercises a significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20% but less than 50% of the voting rights. When assessing whether Carlsberg Breweries A/S exercises control or significant influence, potential voting rights exercisable at the end of the reporting period are taken into account.

Entities which by agreement are managed jointly with one or more other parties are considered joint ventures. Associates and joint ventures are consolidated using the equity method, cf. section 5.

The consolidated financial statements have been prepared as a consolidation of the financial statements of the Parent Company and subsidiaries according to the Group’s accounting policies.

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

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

The accounting items of subsidiaries are included in full in the consolidated financial statements. Non-controlling interests’ share of the profit/loss for the year and of the equity of subsidiaries is included in the Group’s profit/loss and equity respectively, but is disclosed separately.
Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Entities which are disposed of or wound up are recognised in the consolidated income statement until the date of disposal or winding-up. The comparative figures are not restated for entities.

Defining materiality

Significant items are presented individually in the financial statements as required by IAS 1. Other items which may not be significant but have been considered relevant to stakeholders and the understanding of the Carlsberg business model, including research, real estate, geographical diversity etc., are also presented in the financial statements.

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 in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the end of the reporting period. The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or the exchange rate in the latest consolidated financial statements is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency of Carlsberg Breweries A/S (DKK), the income statement and statement of cash flows are translated at the exchange rates at the transaction date, and the statement of financial position items are translated at the exchange rates at the end of the reporting period. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rates at the end of the reporting period and on translation of the income statement from the exchange rates at the transaction date to the exchange rates at the end of the reporting period are recognised in other comprehensive income and attributed to a separate translation reserve in equity.

Foreign exchange adjustment of balances with foreign entities which are considered part of the investment in the entity is recognised in the consolidated financial statements in other comprehensive income if the balance is denominated in the functional currency of the Parent Company or the foreign entity. Correspondingly, foreign exchange gains and losses on the part of loans and derivative financial instruments which is designated as hedges of investments in foreign entities with a functional currency other than that of Carlsberg A/S and which effectively hedges against corresponding foreign exchange gains and losses on the investment in the entity are also recognised in other comprehensive income and attributed to a separate translation reserve in equity.

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

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

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

Hyperinflation

The financial statements of foreign entities whose functional currency is the currency of a hyperinflationary market are stated in terms of the measuring unit current at the end of the reporting period using a general price index. Non-monetary assets are restated to the current purchasing power at the reporting date from the value on the date when they were first recognised in the financial statements.

The gain/loss is recognised in other comprehensive income. The gain/loss on the net monetary position is recognised as financial income or expenses in the income statement. Income statement items are restated from the value on the transaction date to the value on the reporting date except for items related to non-monetary assets, such as depreciation and amortisation and consumption of inventories etc. Deferred tax is adjusted accordingly. The comparative figures for the Group are not restated in terms of the measuring unit current at the end of the reporting period.

Income statement and statement of financial position, general

Special items

These items are shown separately in order to give a more true and fair view of the Group's operating profit.

Presentation of discontinued operations

Discontinued operations comprise activities and cash flows that can be clearly distinguished from the other business areas and have either been disposed of or are held for sale. The sale is expected to be carried out within 12 months in accordance with a formal plan.

Discontinued operations also include entities which are classified as held for sale in connection with an acquisition.

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

Statement of cash flows

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

Cash flow from operating activities

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

Cash flow from investing activities

Cash flow from investing activities comprises payments in connection with acquisitions and disposals of entities and activities, and of intangible assets, property, plant and equipment and other non-current assets.

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

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

Cash flow from financing activities

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

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

Cash and cash equivalents

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

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

Segment information

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

In accordance with the Group's management structure, beverage activities are segmented according to the geographical regions where production takes place. The segment information is based on the Group's accounting policies.

A segment's operating profit/loss includes revenue, operating costs and share of profit/loss in associates and joint ventures to the extent that they can be allocated directly to the individual segment. Income and expenses related to Group functions have not been allocated and, as is the case with eliminations and non-beverage activities, are not included in the operating profit/loss of the segments. Total segment assets comprise non-current assets used directly in the operating activities of the segment, including intangible assets, property, plant and equipment, investments in associates and joint ventures, and current segment assets to the extent that they can be allocated directly to the individual segment, including inventories, trade receivables, other receivables and prepayments.

The geographical allocation is made on the basis of the selling entities' domicile and comprises entities individually accounting for more than 10% of the Group's consolidated net revenue as well as the domicile country.

Financial ratios

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated in accordance with IAS 33.

Other financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2010", unless specifically stated.

Calculation of the key figures and financial ratios stated in the Annual Report

Cash flow from operating activities per share (CFPS)	Cash flow from operating activities divided by the number of shares outstanding, fully diluted for share options in the money in accordance with IAS 33[1].
Debt/operating profit before depreciation, amortisation and impairment	Net interest-bearing debt[2] divided by operating profit before special items adjusted for depreciation, amortisation and impairment.
Equity ratio	Equity attributable to shareholders in Carlsberg Breweries A/S at year-end as a percentage of total assets at year-end.
Financial gearing	Net interest-bearing debt[2] at year-end divided by total equity at year-end.
Free cash flow per share (FCFPS)	Free cash flow[3] divided by average number of shares outstanding, fully diluted for share options in the money in accordance with IAS 331.
Interest cover	Operating profit before special items divided by interest expenses, net.
Number of shares, average	Number of issued shares, excluding treasury shares, as an average for the year (= average number of shares outstanding).
Number of shares, year-end	Total number of issued shares, excluding treasury shares, at year-end (= number of shares outstanding at year-end).
Operating margin	Operating profit before special items as a percentage of revenue.
Operating profit	Expression used for operating profit before special items in the Management review.
Organic development	Measure of growth excluding the impact of acquisitions, divestitures and foreign exchange from year-on-year comparisons. We believe this provides investors with a better understanding of underlying trends.
Payout ratio	Dividend for the year as a percentage of consolidated profit, excluding non-controlling interests.
Pro rata volumes	The Group's sale of beverages in consolidated entities, and 100% of the sale of the Group's international brands in associates and joint ventures and the proportionate share of the sale of local brands in these entities.
Return on invested capital, including goodwill (ROIC)	Operating profit before special items as a percentage of average invested capital[4] calculated as a 12-month rolling average.
Return on invested capital, excluding goodwill (ROIC excl. goodwill)	Operating profit before special items as a percentage of average invested capital excluding goodwill[4] calculated as a 12-month rolling average.
Volumes	The Group's total sale of beverages, including the total sales through associates and joint ventures.

[1] The dilutive effect is calculated as the difference between the number of shares that could be acquired at fair value for the proceeds from exercise of the share options and the number of shares that could be issued assuming that the options are exercised.
[2] The calculation of net interest-bearing debt is specified in section 4.2.
[3] The calculation of free cash flow is specified in the statement of cash flows.
[4] The calculation of invested capital is specified in section 2.1.

Section 9.3 New legislation

New and amended IFRSs and Interpretations not yet applicable within the EU

Improvements to IFRS 2010-2012 and 2011-2013 and amendments to IAS 19 are effective for financial years beginning on or after 1 July 2014.

Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions” clarify the requirements on how contributions from employees or third parties linked to service should be attributed to periods of service.

The Group will implement the improvements and amendments as of 1 January 2015.

Impact from changes in accounting policies for 2015

The implementation of Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions” and Improvements to IFRS 2010-2012 and 2011-2013 will not have any significant impact on the Group’s financials.

New and amended IFRSs and Interpretations not yet adopted by or applicable within the EU

Furthermore, the following new or amended IFRSs and Interpretations of relevance to the Carlsberg Breweries Group have been issued but not yet adopted by the EU:

- IFRS 9 “Financial Instruments”, effective for financial years beginning on or after 1 January 2018.
- IFRS 14 “Regulatory Deferral Accounts”, effective for financial years beginning on or after 1 January 2016.
- IFRS 15 “Revenue from Contracts with Customers”, effective for financial years beginning on or after 1 January 2017.
- Improvements to IFRS 2012-2014, effective for financial years beginning on or after 1 January 2016.
- Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”, effective for financial years beginning on or after 1 January 2016.
- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”, effective for financial years beginning on or after 1 January 2016.
- Amendments to IAS 1 “Disclosure Initiative”, effective for financial years beginning on or after 1 January 2016.
- Amendments to IAS 27 “Equity Method in Separate Financial Statements”, effective for financial years beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation”, effective for financial years beginning on or after 1 January 2016.
- Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”, effective for financial years beginning on or after 1 January 2016.

The new and amended Standards and Interpretations are not mandatory for the financial reporting for 2014. The Carlsberg Breweries Group expects to adopt the Standards and Interpretations when they become mandatory.

SECTION 10 – GROUP COMPANIES

	Number of subsidiaries		Ownership share [1]	Nominal share capital ('000)	Currency
Western Europe					
Carlsberg Danmark A/S, Copenhagen, Denmark		○	100%	100,000	DKK
Carlsberg Supply Company Danmark A/S, Copenhagen, Denmark		○	100%	500	DKK
Pripps Ringnes AB, Stockholm, Sweden	1	○	100%	287,457	SEK
Carlsberg Sverige AB, Stockholm, Sweden	2	○	100%	70,000	SEK
Carlsberg Supply Company Sverige AB, Falkenberg, Sweden		○	100%	50	SEK
Ringnes Norge AS, Oslo, Norway	7	○	100%	50,000	NOK
Ringnes AS, Oslo, Norway	2	○	100%	210,366	NOK
Ringnes Supply Company AS, Oslo, Norway		○	100%	20,907	NOK
Oy Sinebrychoff Ab, Kerava, Finland		○	100%	1,000	EUR
Sinebrychoff Supply Company Oy, Kerava, Finland		○	100%	1,000	EUR
Carlsberg Deutschland GmbH, Hamburg, Germany	8	○	100%	26,900	EUR
Carlsberg Supply Company Deutschland GmbH, Hamburg, Germany		○	100%	26,000	EUR
Nordic Getränke GmbH, Hamburg, Germany	8	○	100%	5,000	EUR
Carlsberg Polska Sp. z o.o., Warsaw, Poland		○	100%	6,662	PLN
Carlsberg Supply Company Polska SA, Warsaw, Poland		○	100%	28,721	PLN
Saku Õlletehase AS, Tallinn, Estonia		○	100%	5,113	EUR
JSC Aldaris, Riga, Latvia		○	99%	7,500	LVL
UAB Svyturys-Utenos Alus, Utena, Lithuania		○	99%	118,000	LTL
Carlsberg UK Holdings Limited, Northampton, United Kingdom	1	○	100%	180,004	GBP
Carlsberg UK Limited, Northampton, United Kingdom	4	○	100%	2,100	GBP
Carlsberg Supply Company UK Limited, Northampton, United Kingdom		○	100%	128,146	GBP
Emeraude S.A.S., Strasbourg, France	6	○	100%	206,022	EUR
Brasseries Kronenbourg S.A.S., Strasbourg, France	9	○	100%	507,891	EUR
Feldschlösschen Getränke Holding AG, Rheinfelden, Switzerland	2	○	100%	95,000	CHF
Feldschlösschen Getränke AG, Rheinfelden, Switzerland	1	○	100%	36,200	CHF
Feldschlösschen Supply Company AG, Rheinfelden, Switzerland		○	100%	97,575	CHF
Carlsberg Italia S.p.A., Lainate, Italy	3	○	100%	331,400	EUR
Unicer-Bebidas de Portugal, S.G.P.S., S.A., Leca do Balio, Portugal[4]	6	■	44%	50,000	EUR
Mythos Brewery SA, Thessaloniki, Greece	1	○	100%	39,405	EUR
Carlsberg Serbia Ltd., Celarevo, Serbia	2	○	100%	2,998,273	RSD
Carlsberg Croatia d.o.o., Koprivnica, Croatia		○	100%	239,932	HRK
Carlsberg Bulgaria AD, Mladost, Bulgaria		○	100%	37,325	BGN
B to B Distribution EOOD, Mladost, Bulgaria		○	100%	10	BGN
Carlsberg Hungary Kft., Budaörs, Hungary		○	100%	25,700	HUF
CTDD Beer Imports Ltd., Montreal, Canada		○	100%	532	CAD
Carlsberg Canada Inc., Mississauga, Canada		○	100%	11,000	CAD
Nuuk Imeq A/S, Nuuk, Greenland[4]		■	32%	38,000	DKK
Eastern Europe					
Baltika Breweries, Saint Petersburg, Russia	4	○	100%	156,087	RUB
Baltika Baku LLC, Baku, Azerbaijan		○	100%	26,849	AZN
Carlsberg Georgia LLC, Tblisi, Georgia[4]		○	100%	1,173	GEL
PJSC Carlsberg Ukraine, Zaporizhzhya, Ukraine	1	○	99%	1,022,433	UAH
OJSC Olivaria Brewery, Minsk, Belarus		○	68%	61,444,801	BYR
Carlsberg Kazakhstan, Almaty, Kazakhstan	1	○	100%	5,362,774	KZT
UzCarlsberg LLC., Tashkent, Uzbekistan[4]		○	100%	82,282,014	UZS
Baltic Beverages Holding AB, Stockholm, Sweden	4	○	100%	12,000	EUR
Asia					
Carlsberg Brewery Hong Kong Limited, Hong Kong, China	3	○	100%	9,734,520	HKD
Carlsberg Brewery (Guangdong) Limited, Huizhou, China		○	99%	442,330	CNY
Kunming Huashi Brewery Company Limited, Kunming, China		○	100%	79,528	CNY
Xinjiang Wusu Beer Co., Ltd., Urumqi, China	10	○	65%	105,480	CNY
Ningxia Xixia Jianiang Brewery Company Limited, Xixia, China		○	70%	194,351	CNY
Dali Beer Company Limited, Dali, China		○	100%	97,799	CNY
Chongqing Brewery Co., Ltd, Chongqing, China[2,4]	6	○	60%	483,971	CNY
Chongqing Jianiang Brewery Ltd., Chongqing, China[4]	6	○	79%	435,000	CNY
Chongqing Beer Group Assets Management Co. Ltd, Chongqing, China[4]	10	○	100%	648,580	CNY
Tibet Lhasa Brewery Company Limited, Lhasa, China		■	50%	380,000	CNY
Lanzhou Huanghe Jianiang Brewery Co. Limited, Lanzhou, China		■	50%	210,000	CNY
Qinghai Huanghe Jianiang Brewery Company Ltd., Xining, China		■	50%	85,000	CNY
Jiuquan West Brewery Company Limited, Jiuquan, China		■	50%	36,000	CNY
Tianshiui Huanghe Jianiang Brewery Co. Ltd, Tianshui, China		■	50%	58,220	CNY
Carlsberg Brewery Malaysia Berhad, Selangor Darul Ehsan, Malaysia[2]		○	51%	300,000	MYR
Carlsberg Marketing Sdn BHD, Selangor Darul Ehsan, Malaysia		○	100%	10,000	MYR
Euro Distributors Sdn BHD, Selangor Darul Ehsan, Malaysia		○	100%	100	MYR
Luen Heng F&B Sdn BHD, Selangor Darul Ehsan, Malaysia		○	70%	5,000	MYR
Carlsberg Singapore Pte Ltd, Singapore		○	100%	1,000	SGD
Maybev Pte Ltd., Singapore		○	51%	2,512	SGD
Lion Brewery (Ceylon) PLC, Biyagama, Sri Lanka[2,4]		■	25%	850,000	LKR
Carlsberg Distributors Taiwan Limited, Taipei, Taiwan	1	■	50%	100,000	TWD
Caretech Ltd, Hong Kong, China[4]		■	50%	10,000	HKD
Cambrew Ltd, Phnom Penh, Cambodia [4]	1	■	50%	125,000	USD
Carlsberg Indochina Limited, Hanoi, Vietnam		○	100%	80,000,000	VND
South-East Asia Brewery Ltd., Hanoi, Vietnam		○	100%	212,705,000	VND
International Beverage Distributors Ltd., Hanoi, Vietnam		○	100%	15,622,000	VND
Hue Brewery Ltd., Hue, Vietnam		○	100%	216,788,000	VND
Hanoi-Vungtau Beer Joint Stock Company, Vung Tàu, Vietnam		○	100%	540,000,000	VND
Hanoi Beer Alcohol and Beverage Joint-Stock Corp., Hanoi, Vietnam[4]		■	17%	2,318,000,000	VND
Lao Brewery Co. Ltd., Vientiane, Laos		○	61%	22,808,641	LAK
CB Distribution Co., Ltd., Bangkok, Thailand		○	100%	200,000	THB
Carlsberg India Private Limited, New Delhi, India	1	○	100%	16,522,288	INR
Parag Breweries Limited, Kolkata, India		○	100%	1,074,354	INR
The Bottling and Brewing Group Limited, Blantyre, Malawi[4]	3	○	59%	1,267,128	MWK
Brewery Invest Pte Ltd, Singapore		○	100%	3,200	SGD
South Asian Breweries Pte. Ltd., Singapore		○	67%	200,000	SGD
Carlsberg Asia Pte Ltd, Singapore	1	○	100%	565,292	SGD
Paduak Holding Pte. Ltd., Singapore		○	100%	26,395	USD
Myanmar Carlsberg Co. Ltd, Yangon, Myanmar[4]		○	51%	75	USD

Not allocated					
Danish Malting Group A/S, Vordingborg, Denmark		○	100%	100,000	DKK
Danish Malting Group Polska Sp. z o.o., Sierpc, Poland		○	100%	20,000	PLN
Carlsberg Finans A/S, Copenhagen, Denmark		○	100%	8,308,000	DKK
Carlsberg International A/S, Copenhagen, Denmark		○	100%	1,100	DKK
Carlsberg Invest A/S, Copenhagen, Denmark	3	○	100%	33,000	DKK
Carlsberg IT A/S, Copenhagen, Denmark		○	100%	50,000	DKK
Carlsberg Insurance A/S, Copenhagen, Denmark		○	100%	25,000	DKK
Carlsberg Shared Services Sp. z o.o., Poznan, Poland		○	100%	50	PLN
Carlsberg Supply Company AG, Ziegelbrücke, Switzerland		○	100%	50	CHF
Non-beverage					
Ejendomsaktieselskabet Tuborg Nord C, Copenhagen, Denmark		○	100%	10,000	DKK
Ejendomsaktieselskabet af 4. marts 1982, Copenhagen, Denmark		○	100%	9,500	DKK
Carlsberg Ejendomme Holding A/S, Copenhagen, Denmark		○	100%	500	DKK
Boliginteressentskabet Tuborg, Copenhagen, Denmark[3]		■	50%	-	DKK
Carlsberg Byen P/S, Copenhagen, Denmark[4]	5	■	25%	17,000	DKK

○ Subsidiary

■ Associate or joint venture

1 For some entities the consolidation percentage is higher than the ownership share due to written put options

2 Listed company

3 A separate annual report is not prepared

4 Company not audited by KPMG

Carlsberg Breweries A/S - Parent Company

FINANCIAL STATEMENTS

Income Statement

DKK million	Section	2014	2013
Net revenue		**2,716**	**2,757**
Cost of sales	3.1	-1,227	-1,355
Gross profit		**1,489**	**1,402**
Sales and distribution expenses	3.1	-684	-704
Administrative expenses		-543	-532
Other operating activities, net	3.1	169	143
Operating profit before special items		**431**	**309**
Special items, net	1.3	321	-1,525
Financial income	2.2	2,182	2,590
Financial expenses	2.2	-1,660	-2,126
Profit before tax		**1,274**	**-752**
Corporation tax	5.4	-133	102
Profit for the year		**1,141**	**-650**
Attributable to			
Dividends to shareholders		1,373	1,220
Reserves		-232	-1,870
Profit for the year		**1,141**	**-650**

Statement of comprehensive income

DKK million	Section	2014	2013
Profit for the year		**1,141**	**-650**
Other comprehensive income			
Value adjustments of hedging instruments	2.9	14	249
Corporation tax	5.4	-3	-62
Items that may be reclassified to the income statement		**11**	**187**
Other comprehensive income		**11**	**187**
Total comprehensive income		**1,152**	**-463**

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

Statement of Financial Position

DKK million	Section	31 Dec. 2014	31 Dec. 2013
Assets			
Non-current assets			
Intangible assets	5.3	1,072	1,080
Property, plant and equipment	5.3	18	19
Investments in subsidiaries	1.1	74,979	72,592
Investments in associates and joint ventures	1.2	2,855	2,884
Receivables	3.3	188	167
Deferred tax assets	5.4	-	86
Total non-current assets		**79,112**	**76,828**
Current assets			
Inventories		3	2
Trade receivables	3.3	1,168	1,161
Other receivables	3.3	17,809	19,751
Cash and cash equivalents	2.4	73	22
Total current assets		**19,053**	**20,936**
Total assets		**98,165**	**97,764**

DKK million	Section	31 Dec. 2014	31 Dec. 2013
Equity and liabilities			
Equity			
Share capital	2.1	501	501
Hedging reserves		-416	-427
Retained earnings		44,907	44,961
Total equity		**44,992**	**45,035**
Non-current liabilities			
Borrowings	2.4	38,511	29,128
Deferred tax liabilities		134	-
Provisions	5.1	135	138
Total non-current liabilities		**38,780**	**29,266**
Current liabilities			
Borrowings	2.4	12,469	21,517
Trade payables		774	584
Deposits on returnable packaging		23	22
Provisions		6	-
Other liabilities, etc.		1,121	1,340
Total current liabilities		**14,393**	**23,463**
Total liabilities		**53,173**	**52,729**
Total equity and liabilities		**98,165**	**97,764**

Statement of changes in equity

DKK million	Shareholders in Carlsberg Breweries A/S			
2014	Share capital	Hedging reserves	Retained earnings	Total equity
Equity at 1 January 2014	501	-427	44,961	45,035
Profit for the year	-	-	-232	-232
Other comprehensive income				
Value adjustments of hedging instruments	-	14	-	14
Corporation tax	-	-3	-	-3
Other comprehensive income	**-**	**11**	**-**	**11**
Total comprehensive income for the year	**-**	**11**	**1,141**	**1,152**
Share-based payment	-	-	13	13
Exercise of share options	-	-	12	12
Dividends paid to shareholders	-	-	-1,220	-1,220
Total changes in equity	**-**	**11**	**-54**	**-43**
Equity at 31 December 2014	**501**	**-416**	**44,907**	**44,992**

DKK million	Shareholders in Carlsberg Breweries A/S			
2013	Share capital	Hedging reserves	Retained earnings	Total equity
Equity at 1 January 2013	501	-614	46,522	46,409
Profit for the year	-	-	-650	-650
Other comprehensive income				
Value adjustments of hedging instruments	-	249	-	249
Corporation tax	-	-62	-	-62
Other comprehensive income	**-**	**187**	**-**	**187**
Total comprehensive income for the year	**-**	**187**	**-650**	**-463**
Share-based payment	-	-	26	26
Exercise of share options	-	-	-22	-22
Dividends paid to shareholders	-	-	-915	-915
Total changes in equity	**-**	**187**	**-1,561**	**-1,374**
Equity at 31 December 2013	**501**	**-427**	**44,961**	**45,035**

The proposed dividend of DKK 2,741 per share, in total DKK 1,373m (2013: DKK 2,435 per share, in total DKK 1,220m), is included in retained earnings at 31 December 2014. Dividends paid out in 2014 for 2013 amount to DKK 1,220m (paid out in 2013 for 2012 DKK 915m), which is DKK 2,435 per share. Dividends paid out to shareholders of Carlsberg Breweries A/S do not impact taxable income in Carlsberg Breweries A/S.

Statement of cash flows

DKK million	Section	2014	2013
Operating profit before special items		431	309
Adjustment for depreciation and amortisation and impairment losses		16	15
Operating profit before depreciation, amortisation and impairment losses		447	**324**
Adjustment for other non-cash items	3.2	11	23
Change in working capital	3.2	171	99
Restructuring costs paid		-14	-16
Interest etc. received		428	787
Interest etc. paid		-2,156	-2,726
Corporation tax paid		83	271
Cash flow from operating activities		**-1,030**	**-1,238**
Acquisition of property, plant and equipment and intangible assets		-7	-8
Total operational investments		**-7**	**-8**
Acquisition and disposal of subsidairies, net		-95	-108
Capital injection in subsidiaries		-2,193	-7,310
Acquisition and disposal of associates, net		-80	-72
Disposals of associated companies		8	-
Dividend paid in excess of accumulated earnings from the acquisition		-	-
Change in financial receivables		-3	90
Other Investing activities		348	-
Dividends received		1,416	1,610
Total financial investments		**-599**	**-5,790**
Disposal of other property, plant and equipment		-	-2
Total other activities		**-**	**-2**
Cash flow from investing activities		**-606**	**-5,800**
Free cash flow		**-1,636**	**-7,038**
Shareholders in Carlsberg Breweries A/S		-1,220	-915
External financing	2.4	2,900	8,448
Cash flow from financing activities		**1,680**	**7,533**
Net cash flow		**44**	**495**
Cash and cash equivalents at 1 January		22	-473
Foreign exchange adjustment of cash and cash equivalents		7	-
Cash and cash equivalents at 31 December[1]	2.4	**73**	**22**

[1] Cash and cash equivalents less bank overdrafts.

SECTION 1 – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Section 1.1 Investments in subsidiaries

Investments in subsidiaries

DKK million	2014	2013
Cost		
Cost at 1 January	78,636	71,218
Additions	2,287	7,418
Transfers	100	-
Cost at 31 December	**81,023**	**78,636**
Value adjustments		
Value adjustments at 1 January	6,044	4,536
Impairment losses	-	1,508
Value adjustments at 31 December	**6,044**	**6,044**
Carrying amount at 31 December	**74,979**	**72,592**

The assumptions used for the impairment test of the parent company's investments in subsidiaries are identical with those used for the Carlsberg Breweries Group's cash-generating units. The assumptions are stated in section 2.3 to the consolidated financial statements.

Section 1.2 Investments in associates and joint ventures

Investments in associates and joint ventures

DKK million	2014	2013
Cost		
Cost at 1 January	2,884	2,812
Additions	80	72
Transfers	-100	-
Disposals	-11	-
Cost at 31 December	**2,853**	**2,884**
Value adjustments		
Value adjustments at 1 January	-	-
Dividends	-1	-
Share of profit after tax	3	-
Value adjustments at 31 December	**2**	**-**
Carrying amount at 31 December	**2,855**	**2,884**

No indications of impairment of investments in associates and joint ventures have been identified, and accordingly no impairment tests have been performed.

Significant accounting estimates and judgements

Management performs an annual test for indications of impairment of investments in subsidiaries joint ventures and associates. Impairment tests are conducted in the same way as for goodwill in the Carlsberg Breweries Group, cf. section 2.3 to the consolidated financial statements. It is management's assessment that no indications of impairment existed at year-end 2014. Impairment tests have therefore not been made of subsidiaries, associates and joint ventures.

Accounting policies

Dividends on investments in subsidiaries, associates and joint ventures are recognised as income in the income statement of the Parent Company in the financial year in which the dividend is declared.

Investments in subsidiaries, joint ventures and associates are measured at the lower of cost or recoverable amount.

Section 1.3 Special items

DKK million	2014	2013
Gain on sale of intangible assets to group companies	342	-
Gain on disposal of entities and adjustments to gain in prior year	-	-2
Impairment of investments in subsidiaries	-	-1,508
Other	-21	-15
Special items, net	**321**	**-1,525**

If special items had been recognised in operating profit before special items DKK -2m (2013: DKK -1,513m) would have been included in impairment losses.

Section 1.4 Related party disclosure

Related parties exercising control

Carlsberg A/S, Ny Carlsberg Vej 100, 1799 Copenhagen V, Denmark, holds all of the shares in Carlsberg Breweries A/S. Carlsberg Breweries A/S has paid dividend of DKK 1,220m (2013: 915m) to Carlsberg A/S.

Related parties exercising significant influence

During the year, the Company was not involved in any transactions with major shareholders, members of the Supervisory Board, members of the Executive Board, other executive employees, or companies outside the Carlsberg Breweries Group in which these parties have interests. The income statement and statement of financial position items include transactions as shown in the table to the right.

Related party transactions

DKK million	2014	2013
Carlsberg A/S		
Other operating activities, net	20	16
Financial income	14	11
Loans	1,085	982
Receivables from the sale of goods and services	18	13
Trade payables	13	26
Associates and joint ventures		
Revenue	22	24
Loans	177	156
Receivables from the sale of goods and services	3	1
Subsidiaries		
Revenue	740	683
Cost of sales	-109	-109
Sales and distribution income	60	21
Administrative expenses	-47	-37
Other operating activities, net	192	124
Interest income	322	626
Interest expenses	-181	-401
Loans	16,716	18,746
Receivables	1,104	1,237
Borrowings	13,839	14,809
Trade payables and other liabilities etc.	419	310

Emoluments to the executive directors and remuneration of the Executive Board are disclosed in section 4.1 - 4.2.

Associates and joint ventures

Dividends of DKK 31m (2013: DKK 28m) were received from associates and joint ventures. No losses on loans to or receivables from associates were recognised or provided for in either 2014 or 2013.

Subsidiaries

Dividends of DKK 1,384m (2013: DKK 1,578m) were received from subsidiaries.

Section 2 – Capital structure and equity

Section 2.1 Share capital

Share capital

	Shares of DKK 1,000	Nominel value, DKK '000
1 January 2013	501	501,000
No change in 2013	-	-
31 December 2013	**501**	**501,000**
No change in 2014	-	-
31 December 2014	**501**	**501,000**

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 owned by Carlsberg A/S, Copenhagen, Denmark.

Dividends paid to shareholders amounted to DKK 1,220m (2013: DKK 915m).

Carlsberg Breweries A/S proposes dividends of DKK 1,373m (2013: DKK 1,220m), amounting to DKK 2,741 per share (2013: DKK 2,435 per share). The proposed dividends are included in retained earnings at 31 December 2014.

Section 2.2 Financial Income and expenses

Financial items recognised in the income statement

DKK million	2014	2013
Financial income		
Interest income	438	728
Dividends from subsidiaries and associates	1,416	1,607
Fair value adjustments of financial instruments, net, cf. section 2.9	325	-
Foreign exchange gains, net	-	251
Other financial income	3	4
Total	**2,182**	**2,590**
Financial expenses		
Interest expenses	1,451	1,977
Fair value adjustments of financial instruments, net, cf. Section 2.9	-	83
Realised foreign exchange losses, net	133	-
Realised losses on disposal of securities	3	-
Bank and commitment fees	48	49
Other financial expenses	25	17
Total	**1,660**	**2,126**
Financial items, net, recognised in the income statement	**522**	**464**

Interest income relates to interest from intercompany loan receivables measured at amortised cost. Interest expenses primarily relate to interest on borrowings (external and intercompany) measured at amortised cost.

Financial items recognised in other comprehensive income

DKK million	2014	2013
Value adjustments of hedging instruments		
Change in fair value of effective portion of cash flow hedges	-111	19
Change in fair value of cash flow hedges transferred to the income statement	125	230
Total	**14**	**249**
Financial items, net, recognised in other comprehensive income	**536**	**713**

Foreign exchange adjustments of balances with foreign entities which are considered part of the total net investment in the entity are recognised in the income statement of the Parent Company.

Section 2.3 Net interest-bearing debt

DKK million	2014	2013
Non-current borrowings	38,511	29,128
Current borrowings	12,469	21,517
Gross interest-bearing debt	**50,980**	**50,645**
Cash and cash equivalents	-73	-22
Loans to group companies and associated companies	-16,935	-18,746
Net interest-bearing debt	**33,972**	**31,877**

Changes in net interest-bearing debt		
Net interest-bearing debt at 1 January	31,877	24,607
Cash flow from operating activities	-1,030	1,257
Cash flow from investing activities, excl. acquisition of subsidiaries, net	701	5,692
Cash flow from acquisition of subsidiaries, net	-95	108
Dividends to shareholders	-1,220	915
Change in interest-bearing lending	-13	83
Effect of currency translation	-548	-682
Other	4,300	-103
Total change	**2,095**	**7,270**
Net interest-bearing debt at 31 December	**33,972**	**31,877**

Section 2.4 Borrowings and cash

Gross financial debt

DKK million	2014	2013
Non-current borrowings		
Issued bonds	28,893	21,413
Bank borrowings	8,248	6,969
Borrowings from Group companies	1,370	746
Total	**38,511**	**29,128**
Current borrowings		
Issues bonds - short term portion	-	7,455
Borrowings from Group companies	12,469	14,062
Total	**12,469**	**21,517**
Total non-current and current borrowings	**50,980**	**50,645**
Fair value	52,666	51,256

All borrowings are measured at amortised cost with the exception of the fixed interest rate GBP 300m bond which is measured at fair value. The carrying amount of this borrowing is DKK 2,994m.

External financing

DKK million	2014	2013
Proceeds from issue of bonds	7,368	-
Debt institutions - long term	-6,476	1,989
Borrowings from group companies	2,008	6,459
Total	**2,900**	**8,448**

Cash and cash equivalents

Cash and cash equivalents amounts to DKK 73m (2013: DKK 22m) and bank overdrafts amount to DKK 0m (2013: DKK 0m). Cash and cash equivalents are not associated with any significant credit risks.

Section 2.5 Foreign exchange risk

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 borrowing in foreign currency and financial instruments to hedge net investments in foreign currency, and interest rate risk from its debt and interest rate derivatives.

DKK million			
2014	Original principal	Effect of swap	After swap
CHF	788	2,580	3,368
DKK	914	14,835	15,749
EUR	37,613	-18,807	18,806
GBP	3,628	-1,853	1,775
NOK	1,110	-415	695
PLN	409	118	527
RUB	7	130	137
SEK	4,146	-171	3,975
SGD	8	4	12
USD	1,990	1,848	3,838
Other	367	1,731	2,098
Total	**50,980**	**-**	**50,980**
Total 2013	**50,645**	**-**	**50,645**

Section 2.6 Interest rate risk

Carlsberg Breweries A/S performs the role of internal bank in the Carlsberg Breweries Group. Part of this role is to implement Carlsberg interest rate risk target, which is to have a duration of 1 to 5 years. This duration is measured on the net debt in the Carlsberg Breweries Group.

The Company's loan portfolio consists of bilateral loan agreements, syndicated credit facilities and loans from the shareholder and subsidiaries. At 31 December 2014 gross debt (non-current and current borrowings) amounted to DKK 50,980m (2013: DKK 50,645m). After deducting cash and cash equivalents, net debt is DKK 50,907m (2013: DKK 50,623m).

Interest rate risks are mainly managed using interest rate swaps and bonds with fixed interest and to a smaller degree loans with fixed interest rate from subsidiaries.

Interest rate risk at 31 December

DKK million 2014	Interest rate	Average effective interest rate	Fixed for	Carrying amount	Interest rate risk
Issued bonds					
GBP 300m maturing 28 November 2016	Fixed	7.41%	2-3 years	2,994	Fair value
EUR 1,000m maturing 13 October 2017	Fixed	3.55%	3-4 years	7,408	Fair value
EUR 750m maturing 3 July 2019	Fixed	2.58%	>5 years	5,594	Fair value
EUR 750m maturing 15 November 2022	Fixed	2.71%	>5 years	5,544	Fair value
EUR 1,000m maturing 28 may 2024	Fixed	2.63%	>5 years	7,353	Fair value
Total issued bonds		**3.37%**		**28,893**	
Total issued bonds 2013		**4.27%**		**28,868**	
Bank borrowings					
Floating-rate	Floating	0.85%	<1 year	8,248	Cash flow
Total bank borrowings				**8,248**	
Total bank borrowings 2013				**6,969**	

Time to maturity for non-current borrowings

DKK million 2014	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	2,994	7,408	-	5,594	12,897	28,893
Bank borrowings	42	-	-	-	8,206	8,248
Borrowings from Group Companies	-	-	-	-	1,370	1,370
Total	**3,036**	**7,408**	**0**	**5,594**	**22,473**	**38,511**
Total 2013	**6**	**2,824**	**7,413**	**0**	**18,886**	**29,129**

At year-end 57% of the gross loan portfolio consisted of fixed-rate loans with rates fixed for more than one year (2013: 44%). Carlsberg Breweries A/S engages in on-lending to subsidiaries. At 31 December 2013 Carlsberg Breweries A/S lent DKK 16,935m to subsidiaries, Carlsberg A/S and associated companies (2013: DKK 18,746m).

Section 2.7 Credit risk

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

Section 2.8 Liquidity risk

Liquidity risk is the risk of the Carlsberg Breweries Group failing to meet its contractual obligations due to insufficient liquidity. Carlsberg's policy is for the management of funding and liquidity to be managed centrally. It is therefore Group Treasury's task to ensure effective liquidity management, which primarily involves obtaining sufficient committed credit facilities to ensure adequate financial resources.

Carlsberg Breweries A/S is the main funding vehicle in the Carlsberg Breweries Group. Accordingly, reference to the section on financial risk in Carlsberg Breweries Group with regards to liquidity risk is made.

Maturity of financial liabilities

DKK million 2014	Contractual cash flows	Maturity < 1 year	Maturity > 1 year < 5 years	Maturity > 5 years	Carrying amount
Derivative financial instruments					
Derivative financial instruments, payables	378	378	-	-	377
Non-derivative financial instruments					
Financial debt gross	51,091	12,469	15,922	22,700	50,980
Interest expense	5,695	1,351	2,974	1,370	N/A
Trade payables and other liabilities	797	797	-	-	797
Non-derivate financial instruments total	**57,583**	**14,617**	**18,896 -**	**24,070**	**-**
Financial liabilities	**57,961**	**14,995**	**18,896 -**	**24,070**	**-**
Financial liabilities 2013	**56,266**	**23,649**	**12,954**	**19,663**	**-**

Section 2.9 Financial Instruments

The fair value of financial instruments is calculated on the basis of observable market data using generally accepted methods. Internally calculated fair values based on discounting of cash flows are used for the mark-to-market of financial instruments. The internally calculated fair values are tested against external market valuations on a quarterly basis.

Changes in the fair value of financial instruments not designated as hedging instruments are recognised in the income statement. These are mainly non-designated foreign exchange instruments, which are classified as net investment hedges in the consolidated account, but which for the purpose of the un-consolidated account are not designated as such. The fair value at the end of the reporting period of these instruments is DKK 373m (2013: DKK 267m).

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

	2014		2013	
DKK million	Fair value adjustment recognised in income statement	Fair value	Fair value adjustment recognised in income statement	Fair value
Exchange rate instruments	323	378	-60	298
Other instruments	2	-5	-23	-31
Ineffective portion of hedge	-	-	-	-
Total	**325**	**373**	**-83**	**267**

Value adjustments of fair value hedges in the financial year are recognised in the income statement and amount to DKK 325m (2013: DKK -83m). The adjustments are included in financial income and financial expenses, cf. section 2.2 .

Cash flow hedges are primarily used on interest rate swap where the hedged item is the underlying (floating rate) borrowing, and on currency derivatives where the underlying is sales in foreign currency. Cash flow hedges are also used on aluminium hedges (where the hedged item is aluminium cans used in a number of Group entities in across Carlsberg). However, for the purpose of the Carlsberg Breweries A/S un-consolidated account, the aluminium hedges are not treated as cash flow hedges. The fair value of cash flow hedges recognised at 31 December amounted to DKK -132m (2013: DKK -150m).

Cash flow hedges

DKK million		
2014	Fair value	Expected recognition
Interest rate instruments	-56	2015
Exchange rate instruments	-76	2015-2016
Total	**-132**	
2013		
Interest rate instruments	-174	2014-2015
Exchange rate instruments	24	2014-2015
Total	**-150**	

Fair value adjustments on cash flow hedges in the financial year are recognised in other comprehensive income and amount to DKK 14m (2013: DKK 249m). The adjustments are included in financial income and financial expenses, cf. section 2.2.

Section 2.10 Determination of fair value

Carlsberg has no financial instruments measured at fair value at level 1 (quoted prices) or at level 3 (non-observable data).

The fair value of borrowings is disclosed in section 2.4. The carrying amount of other financial assets and liabilities approximates their fair value.

Methods and assumptions to determine fair value

The methods and assumptions used in determining the fair values of each category of financial assets and financial liabilities are described below. The methods are unchanged from 2013.

Category	Measurement method
Derivate financial instruments	Fair value is determined based on observable market data using generally accepted methods. Internally calculated values are used, and these are compared to external market quotes on a quarterly basis. Calculated by a) estimating the notional future cash flows using observable market data such as yield curves and the aluminium forward curves b) discounting the estimated and fixed cash flow to present value; and c) translating the amounts in foreign currency into the functional currency at the end-of-year foreign exchange rate
Loans and other receivables	Carrying amount approximates fair value
Other financial liabilities	Other financial liabilities, including issued bonds, mortgages, bank borrowings, finance lease obligations, trade payables and other liabilities are measured at amortised cost with the exception of a GBP 300m bond, which is measured at fair value based on movements in a benchmark interest rate

SECTION 3 – OPERATING ACTIVITIES

Section 3.1 Operating expenses

Section 3.1.1 Cost of sales

DKK million	2014	2013
Purchased finished goods and other costs	1,227	1,355
Total	**1,227**	**1,355**

Section 3.1.2 Sales and distribution expenses

DKK million	2014	2013
Marketing expenses	478	442
Sales expenses	93	89
Distribution expenses	113	173
Total	**684**	**704**

Section 3.1.3 Other operating activities, net

DKK million	2014	2013
Management fee from group companies	241	166
Gains and losses on disposal of property, plant and equipment and intangible assets, net	-76	-43
Other, net	4	20
Total	**169**	**143**

Section 3.2 Cash flow from operating activities

DKK million	2014	2013
Adjustment for other non-cash items		
Share-based payment	13	26
Other non-cash adjustments	-2	-3
Total	**11**	**23**
Change in working capital		
Receivables	3	-95
Trade payables and other liabilities	147	162
Other liabilities related to operating activities before special items	3	72
Adjusted for unrealised foreign exchange gains/losses	18	-40
Total	**171**	**99**

Section 3.3 Receivables

Receivables included in the statement of financial position

DKK million	2014	2013
Trade receivables	1,168	1,161
Other receivables	17,809	19,751
Total current receivables	**18,977**	**20,912**
Non-current receivables	188	167
Total	**19,165**	**21,079**

Trade receivables comprise invoiced goods and services.

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

Receivables by origin

DKK million	2014	2013
Receivables from sale of goods and services	288	269
Receivables from group companies	880	892
Loans to group companies	16,935	18,746
Loans, fair value of hedging instruments and other receivables	1,062	1,172
Total	**19,165**	**21,079**

Section 4 – Staff costs and remuneration

Section 4.1 Staff costs

DKK million	2014	2013
Salaries and other remuneration	462	425
Severance pay	2	2
Social security costs	2	2
Retirement benefit costs - defined contribution plans	25	26
Share-based payment	18	26
Other employee benefits	5	4
Total	**514**	**485**

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

Sales and distribution expenses	168	175
Administrative expenses	346	310
Total	**514**	**485**

The Company had an average of 402 (2013: 425) full-time employees during the year.

Remuneration of the Executive directors is based on a fixed salary, cash bonus payments and non-monetary benefits such as company car, telephone etc. Furthermore, share option programmes and incentive schemes have been established for the Executive directors. These programmes and schemes cover a number of years. The remuneration is specified in section 4.2.

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

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

Remuneration of the Group executive directors and Supervisory Board as well as their holdings of shares in the Company are specified in note section 7.2 to the consolidated financial statements.

Section 4.2 Share-based payments

Share option programme

In 2014, a total of 95,00 (2013: 91,000) share options were granted to 2 (2013: 2) employees. The grant date fair value of these options was a total of DKK 16m (2013: DKK 15m). The total cost of share options was DKK 16m (2013: DKK 14m), which is recognised in the income statement under staff costs. Refunds etc. between Carlsberg A/S and Carlsberg Breweries A/S are recognised directly in equity and total DKK -6m (2013: DKK -24m). Change in expected future refunds based on the fair value of share options at year end are recognised directly in equity by DKK -15m (2013: DKK -2m).

Long-term incentive programme (performance shares)

In 2014 a total of 104,150 (2013: 123,511) performance shares were granted to 52 (2013: 61) employees. The grant date fair value of these performance shares was a total of DKK 48m (2013: DKK 53m). The total cost of performance shares was DKK 10m (2013: DKK 6m), which is recognised in the income statement under staff costs. Change in expected future refunds based on the fair value of performance shares at year end are recognised directly in equity by DKK -3m (2013: DKK 3m).

Long-term incentive programme (PSU)

No PSUs were granted in 2014 or 2013. The total cost of PSUs was DKK 0m (2013: DKK 6m), which is recognised in the income statement under staff costs. Change in expected future refunds based on the fair value of PSUs at year end are recognised directly in equity by DKK -1m (2013: DKK 1m).

Share-based incentive programmes

	Exercise price	Number				
Share option programme	Fixed, weighted average	Executive directors	Key management personnel	Other management personnel	Resigned employees	Total
Share options outstanding at 31 December 2012	**421.10**	**420,604**	**35,826**	**64,717**	**221,434**	**742,581**
Granted	573.50	91,000	-	-	-	91,000
Exercised	351.68	-12,388	-3,500	-31,473	-71,004	-118,365
Transferred	416.81	-	-	-	862	862
Share options outstanding at 31 December 2013	**379.05**	**499,216**	**32,326**	**33,244**	**151,292**	**716,078**
Granted	573.50	95,000	-	-	-	95,000
Forfeited/expired	426.21	-	-	-3,524	-	-3,524
Exercised	398.54	-12,388	-6,858	-2,477	-24,249	-45,972
Transferred	353.04	-	-	-4,719	4,719	-
Share options outstanding at 31 December 2014	**455.04**	**581,828**	**25,468**	**22,524**	**131,762**	**761,582**
Long-term incentive programme (performance shares)						
Performance shares outstanding at 31 December 2012		**-**	**-**	**-**	**-**	**-**
Granted		45,135	25,425	52,951	-	123,511
Transferred		-	-	1,670	924	2,594
Forfeited/expired/adjusted		-23,695	-15,937	-26,057	-485	-66,174
Performance shares outstanding at 31 December 2013		**21,440**	**9,488**	**28,564**	**439**	**59,931**
Granted		40,925	16,108	47,117	-	104,150
Forfeited/expired/adjusted		-53,756	-23,834	-69,493	5,119	-141,964
Exercised		-	-	-	-938	-938
Transferred		-	1,500	1,724	-3,224	-
Performance shares outstanding at 31 December 2014		**8,609**	**3,262**	**7,912**	**1,396**	**21,179**
Long-term incentive programme (PSU)						
Performance share units outstanding at 31 December 2012		**-**	**11,963**	**31,323**	**7,208**	**50,494**
Forfeited/expired/adjusted		-	1,497	3,410	-4,273	634
Transferred		-	-2,500	-3,566	7,456	1,390
Performance share units outstanding at 31 December 2013		**-**	**10,960**	**31,167**	**10,391**	**52,518**
Forfeited/expired/adjusted		-	-1,114	-9,252	-449	-10,815
Exercised		-	-	-	-695	-695
Transferred		-	-2,034	-2,175	2,009	-2,200
Performance share units outstanding at 31 December 2014		**-**	**7,812**	**19,740**	**11,256**	**38,808**

	Share options		Performance shares		Performance share units	
	2014	2013	2014	2013	2014	2013
Average share price at the exercise date for share options exercised in the year	575	591	-	-	-	-
Weighted average contractual life for awards outstanding 31 December	3.6	4.1	1.7	2.4	0.2	1.2
Range of exercise prices for share options outstanding 31 December	203.50 - 583.10	203.50 - 573.50	-	-	-	-
Exercisable outstanding share options 31 December	444,082	483,781	None	None	None	None
Weighted average exercise price for share options exercisable 31 December	435	397	-	-	-	-

The assumptions underlying the calculation of the fair value of share options are described in section 7.3 of the consolidated financial statements.

Accounting Policies

Share-based payment to employees in subsidiaries. The fair value of granted share-based incentives to employees in the Parent Company's subsidiaries is recognised in investments in subsidiaries as the services rendered in exchange for the granted incentives are received in the subsidiaries, with a set-off directly against equity.

The difference between the purchase price and the sales price for the exercise of share-based incentives by employees in subsidiaries is settled between Carlsberg Breweries A/S and the individual subsidiary, with a set-off directly against investments in subsidiaries.

The difference at the end of the reporting period between the fair value of the Parent Company's equity instruments and the exercise price of outstanding share-based incentives is recognised as a receivable in Carlsberg Breweries A/S, with a set-off directly against investments in subsidiaries.

Share-based incentives granted to the Parent Company's own employees are recognised and measured in accordance with the accounting policies used by the Carlsberg Breweries Group, we refer to the consolidated financial statements for a description of accounting policies.

SECTION 5 – OTHER DISCLOSURE REQUIREMENTS

Section 5.1 Provisions

Provisions totalling DKK 141m (2013: DKK 138m) relates primarily to ongoing disputes, lawsuits, restructurings etc.

DKK million		
2014	Other	Total
Provisions at 1 January 2014	138	138
Additional provisions recognised	25	25
Used during the year	-22	-22
Provisions at 31 December 2014	**141**	**141**

Section 5.2 Fees to auditors

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

DKK million	2014	2013
KPMG		
Statutory audit	2	3
Tax advisory	-	2
Other services	1	3

Section 5.3 Asset base

The carrying amount of intangible assets was DKK 1,072m (2013: DKK 1,080m) and property, plant and equipment was DKK 18m (2013: DKK 19m). Intangible assets comprise mainly trademarks of DKK 1,069m (2013: DKK 1,077m).

Of DKK 10m (201: DKK 33m) of depreciation and amortisation of intangible assets, DKK 7m (2013: DKK 5m) are included in cost of sales and DKK 0m (2013: DKK 23m) in special items. Depreciation and amortisation of property, plant and equipment of DKK 6m (2013: DKK 5m) are mainly included in sales and distribution expenses.

See the accounting policies on impairment of assets in the Carlsberg Breweries Group, cf. section 2 in the consolidated financial statements.

Based on the impairment tests performed, no indications of further impairment of trademarks with an indefinite useful life existed at 31 December 2014. In addition, it is Management's assessment that probable changes in the described significant parameters would not lead to the carrying amount of the trademarks with an indefinite useful life exceeding the recoverable amount.

Contractual commitments

The Carlsberg Breweries A/S has entered into service contracts in respect of sales, logistics and IT. Costs related to the contracts are recognized as the services are received.

Capital commitments

Neither at the end of the reporting period in 2014 nor 2013 had Carlsberg Breweries A/S any capital commitments to be made at a later date.

Section 5.4 Tax

The domestic tax rate amount to 24,5,% (2013: 25%). The change in the effective tax rate of -10.4% (2013: -13.5%) is mainly due to the increase in non-capitalised tax assets of -11.6% (2013: 9.4%) and non-taxable income of 26% (2013: -53.4%).

			2014			2013
DKK million	Income statement	Other compre-hensive income	Total Comprehen-sive income	Income statement	Other compre-hensive income	Total Comprehen-sive income
Tax for the year can be specified as follows						
Current tax	12	-	12	11	-	11
Change in deferred tax during the year	138	3	141	-125	62	-63
Change in deferred tax from change in tax rate	-4	-	-4	1	-	1
Adjustments to tax for previous years	-13	-	-13	11	-	11
Total	**133**	**3**	**136**	**-102**	**62**	**-40**

Hedging instruments recognised in other comprehensive income before tax amounts to DKK 14m (2013: DKK 249m) with a tax expense of DKK 3m (2013: DKK 62m).

Deferred tax asset amounts to DKK 99m (2013: DKK 160m) and comprise mainly provisions and retirement benefit obligations of DKK 34m (2013: DKK 28m) and tax loss carry forwards etc. of DKK 60m (2013: DKK 117m). The utilisation of tax loss carry forwards depends on future positive taxable income exceeding the realised deferred tax liabilities
Deferred tax liabilities offset in deferred tax assets amount to DKK 233m (2013: DKK 74) and mainly comprise intangible assets of DKK 199m (2013: DKK 38m) and other liabilities of DKK 33m (2013: DKK 34m). Deferred tax at 31 December, net is a deferred tax liability of DKK 134m (2013: deferred tax asset of DKK 86m).

The changes in deferred tax from 1 January DKK 86m (2013: DKK 317m) are due to joint taxation contribution of DKK -96m (2013: DKK -287m), tax recognised in the total comprehensive income DKK -3m (2013: DKK -62m) and recognised deferred tax in the income statement and others DKK -121m (2013: DKK 118m).

Not recognised tax assets amount to DKK 205m (2013: DKK 505m). Of the tax asset DKK 205m (2013: DKK 168m) relate to tax losses on exchange rates effect of the Danish tax rules for interest ceiling. The tax loss must be utilised within 3 years otherwise it will expire.

Significant accounting estimates and judgements

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

Accounting policies

Carlsberg Breweries A/S is the administrative company and is subject to the Danish rules on mandatory joint taxation of the Carlsberg Breweries Group's Danish companies. Carlsberg 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 corporation tax is allocated between the Danish jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint taxation contributions from other companies that have used the tax losses to reduce their own taxable profit (full absorption).

Tax on profit/loss for the year comprises profit/loss from real estate partnerships (joint ventures), as these are not individually taxed but included in the taxable income of the partners. In addition, tax on profit/ loss and deferred tax are calculated and recognised as described in section 6 in the consolidated financial statements.

Section 5.5 Contingent liabilities and other commitments

Carlsberg Breweries A/S has issued guarantees for loans etc. raised by subsidiaries and associates (non-consolidated share of loan) of DKK 2,491m (2013: DKK 3,592m)

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 is jointly and severally liable for payment of VAT and excise duties.

Carlsberg Breweries A/S and the other companies covered by the Danish join taxation scheme are jointly and severally liable for payment of corporation tax for 2004 and previous years.

Carlsberg Breweries A/S is party to certain lawsuits, disputes etc. of various scopes. In management's opinion, apart from as recognised in the statement of financial position or disclosed in the financial statements, the outcome of these lawsuits, disputes etc. will not have a material negative effect on the Company's financial position.

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 2014 financial statements of Carlsberg Breweries A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies, cf. the statutory order pursuant to the Danish Financial Statements Act.

The financial statements are presented in Danish kroner (DKK), which is the functional currency.

The accounting policies for the Parent Company are the same as for the Carlsberg Breweries Group, cf. section 9 in the consolidated financial statements and the individual sections.

The structure of the explanatory notes has been changed to improve the information provided.

Significant accounting estimates

In preparing Carlsberg Breweries A/S's financial statements, management makes various accounting estimates and assumptions which form the basis of presentation, recognition and measurement of the Company's assets and liabilities.

COMPANY INFORMATION

Company:	Carlsberg Breweries A/S Ny Carlsberg Vej 100 1799 Copenhagen V Denmark
	Municipality of reg. office: Copenhagen
Board of Directors:	Jess Søderberg (Chairman), Former CEO of the A.P. Møller-Mærsk Group
	Flemming Besenbacher (Deputy Chairman), Professor, D.Sc., h.c. mult., FRSC
	Jørgen Buhl Rasmussen, President and CEO
	Jørn P. Jensen, Deputy CEO and CFO
	Peter Petersen (Employee representative), Chairman of the Staff Association Carlsberg and Demand Planner, Carlsberg Danmark A/S
	Eva Vilstrup Decker (Employee representative), Senior Customer Service & Supply Manager, Carlsberg Breweries A/S
Executive Board:	Jørgen Buhl Rasmussen, President & CEO Jørn P. Jensen, Deputy CEO & CFO
Auditor:	KPMG Statsautoriseret Revisionspartnerselskab Amerika Plads 38 2100 København Ø Denmark

EXECUTIVE COMMITTEE AND SUPERVISORY BOARD

Executive Committee

Jørgen Buhl Rasmussen
President and CEO since 2007. Appointed to the Executive Board of Carlsberg Breweries A/S in 2007. Jørgen Buhl Rasmussen will retire as President and CEO on 15 June 2015[1].

President and CEO of Carlsberg A/S. Chairman, Deputy Chairman or member of the Supervisory Boards of Carlsberg Group companies. Member of the Supervisory Board of Novozymes A/S. Prior to joining Carlsberg, Mr Rasmussen held senior managerial positions covering Western, Central and Eastern Europe, the Middle East, Africa and Asia in several global FMCG companies, including Gillette Group, Duracell, Mars and Unilever.

Jørn P. Jensen
Deputy CEO since 2007, CFO since 2004. Appointed to the Executive Board of Carlsberg Breweries A/S in 2004.

Deputy CEO & CFO of Carlsberg A/S. Chairman, Deputy Chairman or member of the Supervisory Boards of Carlsberg Group companies. Member of the Board of Directors of Danske Bank A/S and of the Committee on Corporate Governance in Denmark. Deputy Chairman of the Board of Directors of DONG Energy A/S until 4 March 2015. Prior to joining Carlsberg, Jørn held senior managerial positions in, among others, Nilfisk Advance A/S and Foss Electric A/S.

Supervisory Board

Jess Søderberg
Chairman

Born 1944. Elected 2009. Deputy Chairman of the Supervisory Board of Carlsberg A/S. Chairman of the Audit Committee and member of the Nomination and Remuneration Committees of Carlsberg A/S. Former CEO of the A.P. Møller – Mærsk Group (1993-2007) and before that CFO of the same company from 1981. Member of the Supervisory Board and the Finance and Audit Committees of The Chubb Corporation and advisor to Permira. Managing Director of J.S. Invest ApS and one subsidiary. Jess Søderberg has broad international experience and extensive experience of financial management and financial reporting processes, performance management and stakeholder and investor relations management as a result of many years in the senior management of A.P. Møller - Mærsk. He has wide experience of growth markets and the identification and management of business risks.

Flemming Besenbacher
Deputy Chairman

Born 1952. Professor, D.Sc., h.c. mult., FRSC. Elected 2012.Chairman of the Supervisory Board of Carlsberg A/S. Chairman of the Nomination Committee and Member of the Audit and Remuneration Committees of Carlsberg A/S . Member of the Board of Directors of the Carlsberg Foundation (Chairman as of 1 January 2012) and of the Supervisory

[1] Jørgen Buhl Rasmussen will be succeeded by Cees 't Hart.

Boards of property companies affiliated to the Carlsberg Foundation. Flemming Besenbacher is Chairman of the Board of Trustees of the Carlsberg Laboratory and member of the Boards of the Tuborg Foundation, MedTech Innovation Center, LevOss, the Danish Innovation Fund, Unisense Environment and the Danish management development organisation CfL. He was the founding director of the Interdisciplinary Nanoscience Center (iNANO), Aarhus University, from 2002 to 2012. He has extensive experience of managing large knowledge-based organisations and has strong competences relating to innovation, research, CSR and sustainable develPopment. Flemming Besenbacher is Professor Honoris Causa at 10 international universities and has received many international awards, including the Friendship Award the Highest International Scientific and Technological Cooperation Award of the People's Republic of China. Most recently appointed as Foreign Academician of the Chinese Academy of Sciences, which advises the Chinese government on major scientific decisions.

Jørgen Buhl Rasmussen
President and CEO of Carlsberg A/S and Carlsberg Breweries A/S (see also above).

Jørn P. Jensen
Deputy CEO and CFO of Carlsberg A/S and Carlsberg Breweries A/S (see also above).

Eva Vilstrup Decker
Employee representative, Senior Customer Service & Supply Manager, Carlsberg Breweries A/S

Anders Winther-Sørensen
Employee representative, IT Data Specialist, Carlsberg Business Solutions A/S

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 2014.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies.

In our opinion the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Carlsberg Breweries Group's and the Parent Company's assets, liabilities and financial position at 31 December 2014 and of the results of the Carlsberg Breweries Group's and the Parent Company's operations and cash flows for the financial year 2014.

Further, in our opinion the Management's review includes a fair review of the development in the Carlsberg Breweries Group's and the Parent Company's operations and financial matters, the result for the year and of the Carlsberg Breweries Group and the Parent Company's financial position as well as describes 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, 27 March 2015

Executive Board of Carlsberg Breweries A/S

Jørgen Buhl Rasmussen

Jørn P. Jensen

Supervisory Board of Carlsberg Breweries A/S

Jess Søderberg
Chairman

Flemming Besenbacher
Deputy Chairman

Anders Winther-Sørensen

Jørgen Buhl Rasmussen

Eva Vilstrup Decker

Jørn P. Jensen

THE INDEPENDENT AUDITORS' REPORT

To the shareholder of Carlsberg Breweries A/S

Independent auditors' report on the consolidated financial statements and the Parent Company financial statements
We have audited the consolidated financial statements and the Parent Company financial statements of Carlsberg Breweries A/S for the financial year 2014. The consolidated financial statements and the Parent Company financial statements comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies for the Carlsberg Breweries Group as well as for the Parent Company. The consolidated financial statements and the Parent Company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the Parent Company financial statements
Management is responsible for the preparation of consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and Parent Company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the consolidated financial statements and the Parent Company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the Parent Company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and Parent Company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial Parent Company statements and the Parent Company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Carlsberg Breweries Group's and the Parent Company's financial position at 31 December 2014 and of the results of the Carlsberg Breweries Group's and the Parent Company's operations and cash flows for the financial year 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the Management review
Pursuant to the Danish Financial Statements Act, we have read the Management review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the Parent Company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the Parent Company financial statements.

Copenhagen, 27 March 2015
KPMG
Statsautoriseret Revisionspartnerselskab

Mike Maloney
Certified Public Accountant

Henrik O. Larsen
State Authorised Public Accountant