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Financial statement as at 31 December 2016

A good year for the Carlsberg Group with earnings growth on track and strong cash flow

Unless otherwise stated, comments in this announcement refer to full-year performance.
Unless otherwise stated, market development and market share data refer to November 2016 MAT.

Financial highlights

- Funding the Journey delivering approximately DKK 0.5bn of the anticipated benefits of DKK 1.5-2.0bn by 2018.
- Reported net revenue of DKK 62.6bn; 2% organic growth (H2: flat).
- Total price/mix of +3% (H2: +2%).
- Total organic volume decline of 2% (H2: -2%), mainly due to less exposure to margin-dilutive volumes.
  - Volume growth of Tuborg 9%, Carlsberg 5% and Grimbergen 11%.
- Organic operating profit growth of 5% (H2: +3%). Including currencies and disposals of businesses, operating profit down 3% to DKK 8,245m (H2: DKK 4,797m).
- Operating margin improved by 30bp (H2: +50bp) to 13.2%. Margin improvement in all three regions.
- Reported net profit DKK 4,486m (DKK -2,926m in 2015, impacted by special items).
- Strong free cash flow of DKK 8.6bn (DKK 7.5bn in 2015), positively impacted by disposal of non-core assets.
- Net interest-bearing debt reduction of DKK 5.4bn to DKK 25.5bn; net interest-bearing debt/EBITDA declined to 1.96x.
- ROIC improvement of 110bp to 9.2%.
- For 2016, the Supervisory Board will propose an increase of 11% in dividend to DKK 10.0 per share in light of the strong cash flow.

2017 earnings expectations

- The Group expects to deliver mid-single-digit organic operating profit growth and a further reduction in financial leverage.
- Based on the spot rates as at February 6, a translation impact of DKK +350m is expected.

CEO Cees 't Hart says: “2016 was a good year for the Carlsberg Group. We’re satisfied with our performance and the delivery of 5% organic growth in operating profit, a solid price/mix, strong cash flow and a further reduction in financial leverage.

“During the year, we took significant steps to become a more successful company. We launched our new strategy – SAIL’22 – and its priorities are now well integrated in our plans for 2017. In addition, Funding the Journey delivered benefits faster than anticipated for the year.

“In 2017, we’re determined to achieve a substantial proportion of the remaining Funding the Journey benefits, allowing us to grow earnings organically and invest in SAIL’22-related activities to support the future growth of the company.”

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The Carlsberg Group is one of the leading brewery groups in the world, with a large portfolio of beer and other beverage brands. The Carlsberg brand is one of the best-known beer brands in the world, and the Baltika, Carlsberg and Tuborg brands are among the biggest brands in Europe. 42,000 people work for the Carlsberg Group, and our products are sold in more than 150 markets. In 2016, the Carlsberg Group sold 117 million hectolitres of beer, which is about 35 billion bottles of beer.
Find out more on www.carlsberggroup.com

KEY FIGURES AND FINANCIAL RATIOS

DKK million		2016	2015	2014	2013	2012
Sales volumes, pro rata (million hl)						
Beer		116.9	120.3	122.8	119.7	120.4
Other beverages		21.9	21.5	21.0	19.7	19.1
Income statement						
Net revenue		62,614	65,354	64,506	64,350	66,468
Gross profit		31,419	31,925	31,781	32,930	32,637
Operating profit before amortisation, depreciation and impairment losses		13,006	13,213	13,338	13,592	13,812
Operating profit before special items		8,245	8,457	9,230	9,723	9,793
Special items, net		251	-8,659	-1,353	-435	85
Financial items, net		-1,247	-1,531	-1,191	-1,506	-1,772
Profit before tax		7,249	-1,733	6,686	7,782	8,106
Corporation tax		-2,392	-849	-1,748	-1,833	-1,861
Consolidated profit		4,857	-2,582	4,938	5,949	6,245
Attributable to:						
Non-controlling interests		371	344	524	478	638
Shareholders in Carlsberg A/S		4,486	-2,926	4,414	5,471	5,607
Shareholders in Carlsberg A/S (adjusted)[1]		3,881	4,292	5,496	5,772	5,504
Statement of financial position						
Total assets		126,906	124,901	137,458	152,308	153,961
Invested capital		90,103	90,102	104,006	119,112	121,467
Invested capital excluding goodwill		37,239	39,832	51,143	61,946	67,553
Interest-bearing debt, net		25,503	30,945	36,567	34,610	32,480
Equity, shareholders in Carlsberg A/S		50,811	43,489	52,437	67,811	70,261
Statement of cash flows						
Cash flow from operating activities		9,329	10,140	7,405	8,142	9,871
Cash flow from investing activities		-713	-2,618	-6,735	-8,012	-3,974
Free cash flow		8,616	7,522	670	130	5,897
Investments						
Acquisition and disposal of property, plant and equipment and intangible assets, net		-3,596	-2,922	-5,647	-5,451	-2,736
Acquisition and disposal of entities, net		1,969	-33	-1,681	-2,314	-27
Financial ratios						
Operating margin	%	13.2	12.9	14.3	15.1	14.6
Return on invested capital (MAT)	%	9.2	8.1	8.0	8.1	8.0
Return on invested capital excluding goodwill (MAT)	%	21.2	16.9	15.3	14.5	14.3
Equity ratio	%	40.0	34.8	38.3	45.2	45.6
Debt/equity ratio (financial gearing)	x	0.48	0.66	0.65	0.48	0.44
Debt/operating profit before depreciation and amortisation	x	1.96	2.34	2.74	2.55	2.35
Interest cover	x	6.61	5.53	7.75	6.46	5.53
Stock market ratios						
Earnings per share (EPS)	DKK	29.4	-19.2	28.9	35.9	36.8
Earnings per share, adjusted (EPS-A)[1]	DKK	25.4	28.1	36.0	37.8	36.1
Cash flow from operating activities per share (CFPS)	DKK	61.2	66.3	48.4	53.4	64.6
Free cash flow per share (FCFPS)	DKK	56.5	49.2	4.4	0.9	38.6
Dividend per share (proposed)	DKK	10.0	9.0	9.0	8.0	6.0
Payout ratio	%	34	nm	31	22	16
Payout ratio, adjusted[1]	%	39	32	25	21	17
Share price (B shares)	DKK	609.5	612.5	478.8	600.0	554.0
Number of shares (year-end, excl. treasury shares)	1,000	152,552	152,552	152,538	152,533	152,555
Number of shares (average, excl. treasury shares)	1,000	152,552	152,542	152,535	152,548	152,543

[1] Adjusted for special items after tax. 2015 numbers adjusted for the non-controlling interests share of special items after tax, primarily in Chongqing Brewery Group.

GOOD DELIVERY ON GROUP KEY PRIORITIES FOR 2016

The Group's key priorities for 2016 were: executing Funding the Journey; announcing and embedding the Group's new strategy, SAIL'22; improving margins in Western Europe; continuing the growth trajectory in Asia; and mitigating the negative earnings impact from the currency weakness and market decline in Eastern Europe.

Funding the Journey

Funding the Journey made good progress, delivering approximately DKK 0.5bn of benefits. The programme is expected to deliver total benefits of DKK 1.5-2.0bn by 2018, of which approximately 50% will be reinvested in support of the SAIL'22 initiatives. Progress within the main elements of Funding the Journey was as follows:

Value Management was a key contributor to the improvement in the gross profit after logistics (GPaL) margin. By applying a new and more focused value management approach across the Group, we delivered a solid price/mix of 3%. We are progressing well towards striking a better balance between market share, gross margin and earnings – what we internally refer to as the Golden Triangle.

Most *Supply Chain Efficiency* initiatives saw good progress. COGS and logistics costs developed favourably, although they were negatively impacted by price increases for USD- and EUR-denominated inputs in Eastern Europe. By the end of 2016, the total number of SKUs, net, had been reduced by approximately 1,200. We will continue to further reduce SKU complexity.

Within *Operating Expense Efficiency*, total white-collar headcount reduction was 2,280, completing this part of the programme. Operating Cost Management (OCM) delivered substantial savings, with particularly good results in Asia and Eastern Europe. As part of the outsourcing of shared services, we concluded the transfer of approximately 300 roles to our external service provider located in India. We will continue to optimise our processes.

Within *Right-sizing of Businesses*, we successfully executed several initiatives during 2016, including closures and disposals of sites in China, and in the UK capacity reduction at our brewery, exit from the porterage business and outsourcing of the secondary logistics operations. Additional structural changes in 2016 and at the beginning of 2017 were:

2016
- Disposal of our 100% shareholding in Danish Malting Group.
- Asset swap in China of the 30% ownership in the holding company Xinjiang Hops for full ownership of Xinjiang Wusu Group.
- Disposal of Vung Tau, our wholly owned brewery in Southern Vietnam.
- Disposal of our 59% shareholding in Carlsberg Malawi.
- Disposal of our 25% shareholding in the plant-breeding company Sejet.

2017
- Disposal of our 100% shareholding in Carlsberg Uzbekistan.
- Disposal of our 23% shareholding in United Romanian Breweries.

SAIL'22

An important event in 2016 was the announcement of our new strategy, SAIL'22. During the year, we communicated and operationalised the SAIL'22 priorities. Work streams and dedicated teams were established to drive each priority forward, and SAIL'22-related initiatives have been embedded in our plans for 2017 and beyond to fuel improved performance and top-line growth for our core beer as well as from our defined growth priorities of craft & speciality beer, non-alcoholic beer, big cities and Asia.

A critical enabler for achieving our SAIL'22 priorities is to create a winning culture. A key element of this is our Triple A behaviours, which focus on alignment, accountability and action. During the autumn of 2016, we rolled out our new cultural framework, training more than 4,500 managers who will then ensure that all employees across the Group are trained during 2017.

SAIL'22 financial priorities

In 2016, we delivered well against the financial metrics set out as part of the SAIL'22 strategy:

Organic growth in operating profit: The Group delivered 5% organic operating profit growth and was able to upgrade its earnings outlook in November.

ROIC improvement: ROIC improved by 110bp to 9.2%. The improvement was positively impacted by lower capital employed.

Optimal capital allocation: As a result of the strong free cash flow, net interest-bearing debt/EBITDA declined to 1.96x (2.34x in 2015). The Supervisory Board will propose an 11% increase in dividend to DKK 10.0 per share (DKK 9.0 for 2015), which equals a payout ratio of 39% of adjusted net profit.

Regional priorities

The Group also delivered according to plan on the three regional priorities for 2016:

In *Western Europe*, the operating margin improved by 50bp to 14.2%, mainly as a result of value management focusing on delivering price/mix and GPaL margin improvement.

Our *Asia* region continued to deliver solid organic revenue growth (+4%) as a result of a strong 6% price/mix and despite a negative volume development in China. Organic operating profit growth was 6%.

The *Eastern Europe* business achieved 12% organic operating profit growth and a 60bp improvement in reported operating margin in spite of challenging market conditions and currency headwind.

Management changes

To drive the Group's strategic and operational agenda, the following changes have taken place in the top leadership team: Heine Dalsgaard, new CFO as of 1 June; Chris Warmoth, previously Executive Vice President (EVP) Asia, was appointed EVP Corporate Strategy; Graham Fewkes, previously head of Group Commercial, replaced Chris as EVP Asia; Michiel Herkemij, new EVP Western Europe as of 1 April; and Philip A. Hodges, new EVP Group Supply Chain as of 1 February 2017.

2017 PRIORITIES AND EARNINGS EXPECTATIONS

For 2017, the Group has two overall priorities: execution of Funding the Journey and execution of the SAIL'22 priorities.

At a regional level, we have the following financial priorities: improving margins and operating profit in Western Europe; continuing top-line and earnings growth in Asia; and growing operating profit organically in Eastern Europe.

Based on these priorities, for 2017 the Group expects to deliver:

- Mid-single-digit percentage organic operating profit growth.
- Financial leverage reduction.

Based on spot rates as at February 6, including a EUR/RUB rate of 63.2, the Group assumes a positive translation impact of around DKK +350m.

Other relevant assumptions are:

Financial expenses, excluding currency losses or gains, are expected to be DKK 1.0-1.1bn.

The tax rate is expected to be just below 30%.

Capital expenditures are expected to be approximately DKK 4bn.

GROUP FINANCIAL PERFORMANCE

		Change				Change
	2015	Organic	Acq., net	FX	2016	Reported
H2						
Pro rata (million hl)						
Beer	59.9	-3%	-1%		57.8	-4%
Other beverages	11.0	4%	-3%		11.0	1%
Total volume	70.9	-2%	-1%		68.8	-3%
DKK million						
Net revenue	32,952	0%	-2%	-3%	31,371	-5%
Operating profit	4,874	3%	-2%	-3%	4,797	-2%
Operating margin (%)	14.8				15.3	50bp
FY						
Pro rata (million hl)						
Beer	120.3	-3%	0%		116.9	-3%
Other beverages	21.5	4%	-2%		21.9	2%
Total volume	141.8	-2%	0%		138.8	-2%
DKK million						
Net revenue	65,354	2%	-1%	-5%	62,614	-4%
Operating profit	8,457	5%	-2%	-6%	8,245	-3%
Operating margin (%)	12.9				13.2	30bp

Group financial highlights

Group beer volumes declined organically by 3%, impacted by brewery closures in China and the reduction of margin-dilutive contracts in Western Europe. Other beverages grew organically by 4%, driven by growth in the Nordics and Asia. Total volumes declined by 2% organically and in reported terms.

Driven by 3% price/mix improvement, net revenue grew organically by 2% (H2: flat). We delivered positive price/mix in all three regions, with particularly strong performance in Asia and Eastern Europe. Reported net revenue declined by 4% because of adverse currency developments in most markets, with a particularly significant impact from the Eastern European, Chinese, British and Norwegian currencies.

Cost of goods sold per hl increased organically by approx. 1% due to the negative transaction impact in Eastern Europe. In reported terms, cost of goods sold per hl decreased by 5%.

The reported gross margin improved by 140bp to 50.2% as a result of the positive price/mix and efficiency improvements.

Operating expenses grew organically by 3%, mainly due to higher sales and marketing investments, including the UEFA EURO sponsorship, investments in SAIL'22, higher costs of incentive programmes and higher amortisation on IT.

Group operating profit increased organically by 5%. All three regions delivered operating profit growth, with Eastern Europe performing particularly well. Reported operating profit was DKK 8,245m. The decline of 3% was due to a translation impact of -6% and a net acquisition impact of -2%. The operating margin improved by 30bp in reported terms.

H2 operating profit grew organically by 3%. The lower operating profit growth in H2 compared with H1 was as expected, with higher investments in SAIL'22 a key reason. The operating margin improved in H2 by 50bp in reported terms.

Reported net profit was DKK 4,486m (2015: DKK -2,926m, significantly impacted by special items of DKK -8,659m) and earnings per share was DKK 29.4. Adjusted net profit (adjusted for special items after tax) was DKK 3,881m.

In 2016, net profit was positively impacted by the organic growth in operating profit in addition to special items of DKK +251m and net financial items of DKK -1,247m (DKK -1,531m in 2015), while negatively impacted by an increase in corporation tax rate to 33%. The increase in corporation tax primarily related to a lost tax case in Finland in 2016. The tax expense related to this was non-recurring and had no impact on cash flow in the year.

Free cash flow was DKK 8.6bn. This represented an increase of DKK 1.1bn compared with 2015, mainly due to a higher cash flow from financial investments (DKK +2.8bn) as a result of divestments.

Return on invested capital (MAT) was 9.2% (2015: 8.1%), impacted by lower capital employed due to disposals, impairments, currencies and the fact that capex was below depreciation. Excluding goodwill, the return on invested capital was 21.2% (+430bp).

Net interest-bearing debt was DKK 25.5bn, a decrease of DKK 5.4bn versus year-end 2015.

WESTERN EUROPE

		Change				Change
	2015	Organic	Acq., net	FX	2016	Reported
H2						
Pro rata (million hl)						
Beer	25.6	-5%	0%		24.2	-5%
Other beverages	8.5	0%	0%		8.4	0%
Total volume	34.1	-4%	0%		32.6	-4%
DKK million						
Net revenue	20,031	-3%	0%	-3%	18,837	-6%
Operating profit	3,170	-2%	0%	-1%	3,083	-3%
Operating margin (%)	15.8				16.4	60bp
FY						
Pro rata (million hl)						
Beer	50.2	-4%	0%		48.4	-4%
Other beverages	16.2	2%	0%		16.3	2%
Total volume	66.4	-2%	0%		64.7	-2%
DKK million						
Net revenue	38,811	-1%	0%	-2%	37,597	-3%
Operating profit	5,325	3%	0%	-2%	5,358	1%
Operating margin (%)	13.7				14.2	50bp

Net revenue in Western Europe declined organically by 1% due to organic volume decline of 2% and price/mix of +2%.

In 2016, we adopted our new value management approach, which aims to optimise the Golden Triangle. As part of this, we sharpened our focus on profitability by brand, SKU and channel. The positive price/mix was the result of the successful introduction of the Golden Triangle, including premiumisation efforts in most markets and withdrawal from margin-dilutive contracts in the UK, Finland and Poland, and was achieved in spite of strong growth in licence income in H2.

Operating profit grew organically by 3%. The operating margin increased by 50bp to 14.2%. The strong margin improvement was driven by Funding the Journey benefits, including the positive price/mix.

The Western European beer markets grew by an estimated 1%, partly due to easy comparables because of the bad weather in northern Europe in H1 2015. Our volumes were negatively impacted by the above-mentioned reduction in margin-dilutive volumes. Adjusting for this, our volumes would have been flat.

The Nordics

The Nordic markets grew by 2-3%. We increased our volumes in Norway, Denmark and Sweden, but our total Nordic volumes declined by 3% as a result of the withdrawal from the margin-dilutive supply contract in Finland. All markets delivered very solid price/mix improvements due to a combination of growth of craft & speciality beer, value management efforts and lower low-priced volumes in Finland.

All four markets delivered operating profit improvement, with particularly strong improvement achieved in Norway and Finland.

Poland

The Polish market grew by an estimated 2%. The market remained highly competitive. Our volumes declined by approximately 12%, mainly as a result of the decision to pull out of certain low-priced volumes at the beginning of 2016.

France

In France, our volumes grew by 1% in a market that grew by approximately 3%. Our volume growth was driven by the Carlsberg, Tourtel and Skøll brands, and by craft & speciality brands such as Grimbergen, Brooklyn and Pietra. We gained market share in the on-trade, while we lost share in the off-trade. The loss was mainly attributed to the mainstream Kronenbourg brand and 1664, as we did not engage in steep discount activities during the summer to the same extent as the competition.

UK

The UK market declined by an estimated 1%. Our UK volumes declined as expected, with subsequent loss in market share. However, our value focus resulted in favourable price/mix and operating margin improvement. Several new commercial initiatives took place, including the inclusion of the Czech organic beer Celia, the draught craft beer Shed Head and, by the end of the year, the relaunch of Carlsberg Export. From 1 January 2017, we have added the Brooklyn Brewery brands to our portfolio. As part of the restructuring process, it was announced in H2 that we will exit porterage distribution services by the end of the current contracts and outsource our secondary logistics operations.

Other markets

Most other markets in the region delivered top- and bottom-line growth for the year. We saw particularly good market share development in Bulgaria, Germany and Greece, and favourable profit development, with particularly strong improvements in these markets and Italy.

EASTERN EUROPE

	2015	Change Organic	Change Acq., net	Change FX	2016	Change Reported
H2						
Pro rata (million hl)						
Beer	16.3	1%	0%		16.5	1%
Other beverages	0.8	20%	0%		1.0	20%
Total volume	17.1	2%	0%		17.5	2%
DKK million						
Net revenue	5,393	7%	0%	-5%	5,482	2%
Operating profit	1,078	6%	0%	-6%	1,081	0%
Operating margin (%)	19.9				19.7	-20bp
FY						
Pro rata (million hl)						
Beer	32.3	0%	0%		32.4	0%
Other beverages	1.7	15%	0%		2.0	15%
Total volume	34.0	1%	0%		34.4	1%
DKK million						
Net revenue	10,890	8%	0%	-14%	10,205	-6%
Operating profit	1,908	12%	0%	-16%	1,832	-4%
Operating margin (%)	17.4				18.0	60bp

Our Eastern European net revenue grew organically by 8%, driven by price/mix of +7% and organic total volume growth of 1%. Reported net revenue declined by 6% due to a significant negative currency impact, as all currencies in the region depreciated.

The price/mix was driven by price increases in 2015 and 2016 as well as a weak mix in Q1 2015. Price/mix growth was less pronounced in H2 compared with H1 as we took less price increases in 2016 compared with 2015.

Operating profit grew organically by 12% and the reported operating margin improved by 60bp to 18.0%. The improvement was driven by volume growth, Funding the Journey initiatives, delivering positive price/mix and strict cost control, and was also helped by easy comparables. Combined, these factors more than offset the negative transaction impact from USD/EUR-denominated input costs.

Overall, the Eastern European beer markets continue to be negatively impacted by the challenging macro environment, although large parts of the region benefited from very warm weather at the beginning of H2. Total volumes grew by 1% for the year.

Russia

The Russian beer market declined by an estimated 1-2% for the full year and an estimated 4% in Q4. The market development during the second half of the year was helped by very warm weather in Q3. Although some macro indicators have started to show improvement in 2016, the market remains impacted by the ongoing macroeconomic challenges in the country.

Our Russian shipments grew by 1% for the year due to the easy comparables, warm weather in Q3 and market share gains in the second half of the year.

Our market share declined by 30bp for the year to 34.5% (source: Nielsen Retail Audit, Urban & Rural Russia). A key priority for 2016 was to strengthen our position in the modern trade channel, which we achieved, while our market share was down in the declining traditional trade channel. We saw good performance for the Carlsberg, Zhigulevskoe and Baltika 0 brands while the Baltika 7 and Baltika Cooler brands declined.

Ukraine

The Ukrainian market continued to be difficult; it declined by an estimated 6-7%, impacted by the challenging macroeconomic environment. Our business performed strongly, with a modest 2% organic volume decline, achieving market share growth and margin improvements. Our market share improvement was driven by strong performance of our local power brand, Lvivske, and Carlsberg, as well as a successful launch of the Garage brand.

ASIA

		Change				Change
	2015	Organic	Acq., net	FX	2016	Reported
H2						
Pro rata (million hl)						
Beer	18.0	-3%	-2%		17.1	-5%
Other beverages	1.7	16%	-21%		1.6	-5%
Total volume	19.7	-1%	-4%		18.7	-5%
DKK million						
Net revenue	7,391	3%	-5%	-3%	7,027	-5%
Operating profit	1,468	6%	-4%	-2%	1,474	0%
Operating margin (%)	19.9				21.0	110bp
FY						
Pro rata (million hl)						
Beer	37.8	-3%	-2%		36.1	-5%
Other beverages	3.6	9%	-10%		3.6	-1%
Total volume	41.4	-2%	-2%		39.7	-4%
DKK million						
Net revenue	15,339	4%	-3%	-5%	14,666	-4%
Operating profit	2,799	6%	-2%	-4%	2,802	0%
Operating margin (%)	18.2				19.1	90bp

Net revenue in Asia grew organically by 4%, with the price/mix of +6% more than offsetting the organic total volume decline of 2%. Excluding China, net revenue grew organically by 7%, while it was flat in China. Reported net revenue declined by 4% due to a negative currency impact, mainly from China, Malawi, Malaysia and India, as well as the divestment of Carlsberg Malawi in Q3.

The strong price/mix was a result of the growth of our premium brands as well as premiumisation efforts on our local power brands and the reduction of low-priced products in China. The Tuborg brand, which remains key in our premiumisation efforts in the region, grew by 15%. Since 2013, Tuborg volumes in Asia have more than tripled.

Organic operating profit grew by 6% and the reported operating margin improved by 90bp to 19.1%. The profit improvement was driven by Funding the Journey benefits, including positive price/mix, tight cost control, and site closures and disposals in China.

Our beer volumes declined organically by 3%. Excluding China, they grew by 2%. Other beverages grew organically by 9%, mainly driven by the non-beer business in Laos.

China

Our Chinese volumes declined organically by 6%, while the market declined by an estimated 4%. We gained market share in most of our key provinces, while the restructuring of our Chinese business and subsequent brewery closures resulted in substantial volume decline in the affected provinces. During 2015 and 2016, our Chinese organisation went through a comprehensive restructuring and cost-saving programme, resulting in closures and disposals of a total of 17 sites by the end of 2016.

Our premium portfolio grew by 8%, with particularly strong growth for Tuborg and 1664 Blanc. The positive development of our premium brands and the reduction of low-price products in Eastern Assets led to a positive price/mix of 5%.

The operating margin in China improved by more than 300bp due to premiumisation, tight cost control and the closure of sites.

Indochina

In Indochina, Laos again delivered solid top- and bottom-line growth. Water and soft drink growth in Cambodia was offset by share loss in the increasingly competitive beer market. To continue the success of recent years with the Tuborg brand, it was launched in Laos, Cambodia and Vietnam. Early results are very encouraging in all three markets, with the brand quickly establishing leadership in the international premium segment in Cambodia and a strong position in Northern Vietnam.

India

Our Indian business continued to grow, delivering volume growth of 16% in spite of the alcohol ban in the state of Bihar as of April. The Indian beer market grew by an estimated 2%, and we strengthened our market position, reaching a 16% market share. Carlsberg Elephant grew significantly, while Tuborg continued its strong growth trajectory. We currently have seven breweries in India and expect to open our eighth brewery, in the state of Karnataka, in 2017.

Profitability improved significantly as a result of volume growth and tight cost control.

Malaysia/Singapore and Nepal
Volumes in Malaysia were negatively impacted by the excise tax increase on 1 March. However, growth in our premium products, price increases and good cost control ensured solid financial performance. In Singapore, we increased our market share as a result of our premiumisation efforts.

Nepal delivered very strong performance due to market growth, market share gains and price increases. Moreover, we were cycling easy comparables because of the big earthquake in the country in 2015.

CENTRAL COSTS (NOT ALLOCATED)

Central costs grew as expected and amounted to DKK 1,691m (DKK 1,426m in 2015). Central costs are incurred for ongoing support of the Group's overall operations, strategic development and driving efficiency programmes. In particular, they include the costs of running central functions and central marketing (including sponsorships). The increase in 2016 mainly related to the UEFA EURO 2016 sponsorship, costs of incentive programmes and the SAIL'22 programme.

OTHER ACTIVITIES

The operation of the Carlsberg Research Center and the non-controlling holding in the Carlsberg Byen company in Copenhagen is reported separately from the beverage activities. The non-beverage activities generated an operating loss of DKK 56m (loss of DKK 149m in 2015). The reduced loss is due to gains on sale of properties in Carlsberg Byen.

COMMENTS ON THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The 2016 consolidated financial statements of the Carlsberg Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies, cf. the IFRS statutory order pursuant to the Danish Financial Statements Act.

Except for the changes described below, the consolidated financial statements have been prepared using the same accounting policies for recognition and measurement as those applied to the consolidated financial statements for 2015. The consolidated financial statements for 2016 contain a complete description of the accounting policies.

As of 1 January 2016, the amendments and improvements listed below became applicable without having any impact on the Group's accounting policies, as they cover areas that are not relevant for the Group or limit choices of accounting policies that are not used by the Group:

- IAS 1 "Disclosure Initiative"
- IAS 27 "Equity Method in Separate Financial Statements"
- IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
- IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"
- Improvements to IFRS 2012-2014.

As of 2016, the Carlsberg Group has decided that intra-segment revenue should be allocated to and eliminated in the segment where the revenue is recognised. Previously, intra-segment revenue was eliminated in "Not allocated". The change was made during the second half of the year and implemented as of 1 January 2016, which is why it impacts the revenue by segment included in the financials previously reported for the first half of the year. The figures for 2015 and H1 2016 have been restated accordingly.

INCOME STATEMENT

Please see a review of operating profit on page 7.

Net special items (pre-tax) amounted to DKK 251m (DKK -8,659m in 2015). Special items were impacted by measures related to the Funding the Journey programme, including in particular gain on disposals of non-core assets, and restructuring measures and impairments in Western Europe and Asia. A specification of special items is included in note 4.

Net financial items amounted to DKK -1,247m against DKK -1,531m in 2015. Net interest costs were DKK -879m compared to DKK -1,086m in 2015, driven by lower net debt. Other financial items, net, amounted to DKK -368m versus DKK -445m in 2015. The decline was mainly related to foreign exchange gains partly offset by write-offs and interest expenses related to the lost Finnish tax case.

Tax totalled DKK -2,392m against DKK -849m in 2015, mainly impacted by a one-off expense related to the final ruling in the tax dispute in Finland. Consequently, the effective tax rate was 33%.

Non-controlling interests were DKK 371m (2015: DKK 344m). In both 2015 and 2016, non-controlling interests were impacted by the impairment of trademarks in Chongqing.

Adjusted net profit (adjusted for special items after tax) was DKK 3,881m compared to DKK 4,292m in 2015. The decline was due to the higher tax expense (cf. above), negative currency impact and disposals of non-core businesses during the year. The Carlsberg Group's share of net profit was DKK 4,486m against DKK -2,926m in 2015, when net profit was severely impacted by the high level of special items.

STATEMENT OF FINANCIAL POSITION

At 31 December 2016, the Carlsberg Group had total assets of DKK 126.9bn against DKK 124.9bn at 31 December 2015. Invested capital amounted to DKK 90.1bn (2015: DKK 90.1bn).

Assets

As at 31 December 2016, total non-current assets amounted to DKK 109.9bn, an increase of DKK 2.1bn compared with 2015. Intangible assets were up DKK 3.8bn due to the appreciation of the rouble. This increase was offset by lower financial assets, which were mainly impacted by the tax receivable in Finland, which, subsequent to the court ruling, was expensed. Property, plant and equipment were DKK 25.8bn, slightly down compared with 2015 due to disposals and depreciation.

Inventories and trade receivables totalled DKK 9.4bn against DKK 9.5bn at 31 December 2015. Trade receivables were impacted by the exit from margin-dilutive contracts and currencies, particularly the

British pound. Other receivables of DKK 3.9bn were flat versus 31 December 2015. Cash and cash equivalents amounted to DKK 3.5bn, an increase of DKK 371m due to the strong free cash flow.

Assets held for sale amounted to DKK 125m and related to assets in Western Europe and Eastern Europe.

Liabilities
Total equity as at 31 December 2016 totalled DKK 53.7bn, impacted by a significant increase in equity for shareholders in Carlsberg A/S of DKK 7.3bn. Of the total equity, DKK 50.8bn was attributed to shareholders in Carlsberg A/S and DKK 2.8bn to non-controlling interests.

The increase in equity attributed to shareholders in Carlsberg A/S was mainly due to foreign exchange gains of DKK 5.8bn, profit for the period of DKK 4.5bn, payment of dividends to shareholders of DKK -1.4bn and retirement benefit obligations of DKK -1.0bn.

Liabilities were DKK 73.3bn compared to DKK 77.7bn at 31 December 2015. The most notable change was the net decrease in long- and short-term borrowings of DKK -5.8bn versus 31 December 2015, positively impacted by the strong free cash flow. Other non-current liabilities were DKK 18.0bn, an increase of DKK 1.5bn compared with 2015, impacted by a shift between current and non-current liabilities and an increase in contingent considerations.

Trade payables increased by DKK 1.2bn to DKK 13.5bn as at 31 December 2016, impacted by a reclassification in Asia from other current liabilities to trade payables. Other current liabilities decreased by DKK 1.2bn to DKK 9.9bn.

CASH FLOW

Free cash flow amounted to DKK 8,616m versus DKK 7,522m in 2015, positively impacted by disposals of non-core businesses.

Cash flow from operating activities was DKK 9,329m against DKK 10,140m in 2015. The decline was primarily impacted by the development in other working capital, cf. below.

Operating profit before depreciation, amortisation and impairment losses was DKK 13,006m (DKK 13,213m in 2015).

The change in trade working capital was DKK +1,021m (DKK +1,284m in 2015). The average trade working capital to net revenue improved further and was -9.5% for 2016 compared to -6.6% for 2015. The change in other working capital was DKK -1,126m (DKK +561m in 2015). The significant change compared with 2015 was due to an extraordinary payment into the UK pension fund.

Restructuring costs paid amounted to DKK -407m (DKK -586m in 2015). They were impacted by measures across the Group, including actions under Funding the Journey. Net interest etc. paid amounted to DKK -1,003m (DKK -1,818m in 2015). The decline was mainly due to lower interest-bearing debt. Corporation tax paid was DKK -1,752m (DKK -2,140m in 2015). Corporation tax paid was DKK 1,752m, which was DKK 388m lower than in 2015. The decrease was mainly explained by phasing of tax payments between 2015 and 2016.

Cash flow from investing activities was DKK -713m against DKK -2,618m in 2015. Operational investments totalled DKK -3,554m (DKK -3,307m in 2015). Total financial investments amounted to DKK +2,840m (DKK +117m in 2015), positively impacted by the divestments during the year. Total other activities was DKK +1m against DKK +572m in 2015, when it was positively impacted by the sale of the remaining plot of land at the Tuborg site north of Copenhagen, Denmark.

FINANCING

At 31 December 2016, gross interest-bearing debt amounted to DKK 30.2bn and net interest-bearing debt to DKK 25.5bn. The difference of DKK 4.7bn comprised other interest-bearing assets of DKK 1.2bn and cash and cash equivalents of DKK 3.5bn.

The net interest-bearing debt to operating profit before depreciation and amortisation (EBITDA) ratio declined to 1.96x (2.34x in 2015).

Of the gross financial debt, 70% (DKK 21.1bn) was long term, i.e. with maturity more than one year from 31 December 2016. A EUR 1bn bond with a coupon rate of 3.375% will mature on 13 October 2017.

Of the net financial debt, 96% was denominated in EUR and DKK (after swaps) and 76% was at fixed interest (fixed-interest period exceeding one year). The interest rate risk is measured by the duration of the net financial debt, for which our target is between two and five years. In 2016, the duration was 3.7 years (3.8 years in 2015).

ANNUAL GENERAL MEETING

The Annual General Meeting will take place on Thursday 30 March 2017 at 4.30 p.m. (CET) at Stødpudelageret, Pasteursvej 28, Copenhagen, Denmark.

RESTATEMENT OF FIGURES FOLLOWING CHANGES TO ACCOUNTING POLICIES IN 2017

As of 1 January 2017, the Carlsberg Group has changed the segmentation relating to Carlsberg Supply Company, which impacts Western Europe and "Not allocated". Furthermore, the calculation of the return on invested capital (ROIC) has been changed to align internal and external measurements. More details and restated figures for 2016 are presented in appendix 1.

BOARD RESOLUTION AND PROPOSAL TO THE ANNUAL GENERAL MEETING

The Supervisory Board will recommend to the Annual General Meeting that a dividend be paid for 2016 of DKK 10.0 per share or a total of DKK 1.53bn. This equals a payout ratio of 39% of adjusted net profit.

FINANCIAL CALENDAR

The financial year follows the calendar year, and the following schedule has been set for 2017:

24 February	Annual Report 2016
30 March	Annual General Meeting
4 May	Q1 Trading Statement
16 August	H1 Interim Financial Statement
12 October	Capital Markets Day
2 November	Q3 Trading Statement

DISCLAIMER

This Company Announcement contains forward-looking statements, including statements about the Group's sales, revenues, earnings, spending, margins, cash flow, inventory, products, actions, plans, strategies, objectives and guidance with respect to the Group's future operating results. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "believe", "anticipate", "expect", "estimate", "intend", "plan", "project", "will be", "will continue", "will result", "could", "may", "might", or any variations of such words or other words with similar meanings. Any such statements are subject to risks and uncertainties that could cause the Group's actual results to differ materially from the results discussed in such forward-looking statements. Prospective information is based on management's then current expectations or forecasts. Such information is subject to the risk that such expectations or forecasts, or the assumptions underlying such expectations or forecasts, may change. The Group assumes no obligation to update any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Some important risk factors that could cause the Group's actual results to differ materially from those expressed in its forward-looking statements include, but are not limited to: economic and political uncertainty (including interest rates and exchange rates), financial and regulatory developments, demand for the Group's products, increasing industry consolidation, competition from other breweries, the availability and pricing of raw materials and packaging materials, cost of energy, production- and distribution-related issues, information technology failures, breach or unexpected termination of contracts, price reductions resulting from market-driven price reductions, market acceptance of new products, changes in consumer preferences, launches of rival products, stipulation of fair value in the opening balance sheet of acquired entities, litigation, environmental issues and other unforeseen factors. New risk factors can arise, and it may not be possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on the Group's business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.

MANAGEMENT STATEMENT

The Supervisory Board and Executive Board have discussed and approved the Company announcement of the financial statement as at 31 December 2016.

The Company announcement of the financial statement as at 31 December 2016 has been prepared using the same accounting policies as the consolidated financial statements for 2016.

Copenhagen, 8 February 2017

Executive Board of Carlsberg A/S

Cees 't Hart President & CEO	Heine Dalsgaard Group CFO

Supervisory Board of Carlsberg A/S

Flemming Besenbacher Chairman	Lars Rebien Sørensen Deputy Chairman	Hans Andersen
Carl Bache	Richard Burrows	Donna Cordner
Eva V. Decker	Elisabeth Fleuriot	Kees van der Graaf
Finn Lok	Erik Lund	Søren-Peter Fuchs Olesen
Peter Petersen	Nina Smith	Lars Stemmerik

FINANCIAL STATEMENT

INCOME STATEMENT

DKK million	H2 2016	H2 2015	2016	2015
Net revenue	31,371	32,952	62,614	65,354
Cost of sales	-15,484	-16,914	-31,195	-33,429
Gross profit	15,887	16,038	31,419	31,925
Sales and distribution expenses	-8,741	-9,215	-18,476	-19,158
Administrative expenses	-2,645	-2,276	-5,220	-4,909
Other operating activities, net	157	167	198	235
Share of profit after tax, associates and joint ventures	139	160	324	364
Operating profit before special items	4,797	4,874	8,245	8,457
Special items, net	-155	-8,376	251	-8,659
Financial income	463	-39	919	490
Financial expenses	-1,007	-722	-2,166	-2,021
Profit before tax	4,098	-4,263	7,249	-1,733
Corporation tax	-1,352	-135	-2,392	-849
Consolidated profit	2,746	-4,398	4,857	-2,582
Attributable to:				
Non-controlling interests	127	23	371	344
Shareholders in Carlsberg A/S	2,619	-4,421	4,486	-2,926
Earnings per share	17.2	-29.0	29.4	-19.2
Earnings per share, diluted	17.2	-29.0	29.4	-19.2

STATEMENT OF COMPREHENSIVE INCOME

DKK million	H2 2016	H2 2015	2016	2015
Consolidated profit	2,746	-4,398	4,857	-2,582
Other comprehensive income:				
Retirement benefit obligations	-702	-331	-957	-334
Share of other comprehensive income, associates and joint ventures	3	-	3	-2
Corporation tax relating to items that will not be reclassified	55	84	55	84
Items that will not be reclassified to the income statement	-644	-247	-899	-252
Foreign exchange adjustments of foreign entities	3,898	-9,015	5,843	-3,824
Value adjustments of hedging instruments	-32	52	141	-437
Corporation tax relating to items that may be reclassified	5	-47	-34	76
Items that may be reclassified to the income statement	3,871	-9,010	5,950	-4,185
Other comprehensive income	3,227	-9,257	5,051	-4,437
Total comprehensive income	5,973	-13,655	9,908	-7,019
Attributable to:				
Non-controlling interests	222	4	393	604
Shareholders in Carlsberg A/S	5,751	-13,659	9,515	-7,623

STATEMENT OF FINANCIAL POSITION

DKK million	31 Dec. 2016	31 Dec. 2015
Assets		
Intangible assets	76,736	72,920
Property, plant and equipment	25,810	26,678
Financial assets	7,382	8,227
Total non-current assets	109,928	107,825
Inventories	3,963	3,817
Trade receivables	5,485	5,729
Other receivables etc.	3,903	3,930
Cash and cash equivalents	3,502	3,131
Total current assets	16,853	16,607
Assets classified as held for sale	125	469
Total assets	126,906	124,901
Equity and liabilities		
Equity, shareholders in Carlsberg A/S	50,811	43,489
Non-controlling interests	2,839	3,742
Total equity	53,650	47,231
Borrowings	21,137	31,479
Deferred tax, retirement benefit obligations etc.	17,969	16,432
Total non-current liabilities	39,106	47,911
Borrowings	9,067	4,549
Trade payables	13,497	12,260
Deposits on returnable packaging	1,681	1,819
Other current liabilities	9,890	11,043
Total current liabilities	34,135	29,671
Liabilities associated with assets held for sale	15	88
Total equity and liabilities	126,906	124,901

STATEMENT OF CHANGES IN EQUITY (PAGE 1 OF 2)

DKK million	Shareholders in Carlsberg A/S							
	Share capital	Currency translation	Hedging reserves	Total reserves	Retained earnings	Equity, shareholders in Carlsberg A/S	Non-controlling interests	Total equity
Equity at 1 January 2016	3,051	-34,910	-537	-35,447	75,885	43,489	3,742	47,231
Consolidated profit	-	-	-	-	4,486	4,486	371	4,857
Other comprehensive income:								
Foreign exchange adjustments of foreign entities	-	5,835	-	5,835	-	5,835	8	5,843
Value adjustments of hedging instruments	-	12	129	141	-	141	-	141
Retirement benefit obligations	-	-	-	-	-971	-971	14	-957
Share of other comprehensive income in associates and joint ventures	-	-	-	-	3	3	-	3
Corporation tax	-	-17	-13	-30	51	21	-	21
Other comprehensive income	-	5,830	116	5,946	-917	5,029	22	5,051
Total comprehensive income for the year	-	5,830	116	5,946	3,569	9,515	393	9,908
Capital increase	-	-	-	-	-	-	1	1
Acquisition/disposal of treasury shares	-	-	-	-	-1	-1	-	-1
Exercise of share options	-	-	-	-	-64	-64	-	-64
Share-based payments	-	-	-	-	52	52	-	52
Dividends paid to shareholders	-	-	-	-	-1,373	-1,373	-617	-1,990
Acquisition and disposal of non-controlling interests	-	-	-	-	-807	-807	-597	-1,404
Disposals of entities	-	-	-	-	-	-	-83	-83
Total changes in equity	-	5,830	116	5,946	1,376	7,322	-903	6,419
Equity at 31 December 2016	3,051	-29,080	-421	-29,501	77,261	50,811	2,839	53,650

STATEMENT OF CHANGES IN EQUITY (PAGE 2 OF 2)

DKK million	Shareholders in Carlsberg A/S							
	Share capital	Currency translation	Hedging reserves	Total reserves	Retained earnings	Equity, shareholders in Carlsberg A/S	Non-controlling interests	Total equity
Equity at 1 January 2015	3,051	-30,498	-508	-31,006	80,392	52,437	3,560	55,997
Consolidated profit	-	-	-	-	-2,926	-2,926	344	-2,582
Other comprehensive income:								
Foreign exchange adjustments of foreign entities	-	-4,080	-	-4,080	-	-4,080	256	-3,824
Value adjustments of hedging instruments	-	-416	-21	-437	-	-437	-	-437
Retirement benefit obligations	-	-	-	-	-338	-338	4	-334
Share of other comprehensive income in associates and joint ventures	-	-	-	-	-2	-2	-	-2
Corporation tax	-	84	-8	76	84	160	-	160
Other comprehensive income	-	-4,412	-29	-4,441	-256	-4,697	260	-4,437
Total comprehensive income for the year	-	-4,412	-29	-4,441	-3,182	-7,623	604	-7,019
Acquisition/disposal of treasury shares	-	-	-	-	6	6	-	6
Exercise of share options	-	-	-	-	-138	-138	-	-138
Share-based payments	-	-	-	-	75	75	-	75
Dividends paid to shareholders	-	-	-	-	-1,373	-1,373	-513	-1,886
Acquisition of non-controlling interests	-	-	-	-	105	105	91	196
Total changes in equity	-	-4,412	-29	-4,441	-4,507	-8,948	182	-8,766
Equity at 31 December 2015	3,051	-34,910	-537	-35,447	75,885	43,489	3,742	47,231

STATEMENT OF CASH FLOWS

DKK million	H2 2016	H2 2015	2016	2015
Operating profit before special items	4,797	4,874	8,245	8,457
Adjustment for depreciation, amortisation and impairment losses[1]	2,496	2,482	4,761	4,756
Operating profit before depreciation, amortisation and impairment losses	7,293	7,356	13,006	13,213
Adjustment for other non-cash items	-373	-194	-410	-374
Change in trade working capital	-394	1,198	1,021	1,284
Change in other working capital	-571	167	-1,126	561
Restructuring costs paid	-152	-284	-407	-586
Interest etc. received	85	70	190	232
Interest etc. paid	-969	-1,185	-1,193	-2,050
Corporation tax paid	-883	-832	-1,752	-2,140
Cash flow from operating activities	4,036	6,296	9,329	10,140
Acquisition of property, plant and equipment and intangible assets	-2,301	-2,079	-3,820	-4,069
Disposal of property, plant and equipment and intangible assets	155	452	223	575
Change in on-trade loans	72	34	43	187
Total operational investments	-2,074	-1,593	-3,554	-3,307
Free operating cash flow	1,962	4,703	5,775	6,833
Acquisition and disposal of entities, net	1,181	-14	1,969	-33
Acquisition and disposal of associates and joint ventures, net	89	8	716	9
Acquisition and disposal of financial assets, net	7	25	5	29
Change in financial receivables	21	-106	-78	-193
Dividends received	116	100	228	305
Total financial investments	1,414	13	2,840	117
Other investments in property, plant and equipment	-11	-65	-20	-81
Disposal of other property, plant and equipment	21	653	21	653
Total other activities[2]	10	588	1	572
Cash flow from investing activities	-650	-992	-713	-2,618
Free cash flow	**3,386**	**5,304**	**8,616**	**7,522**
Shareholders in Carlsberg A/S	-45	-38	-1,438	-1,505
Non-controlling interests	-205	-18	-1,015	-513
External financing	-3,325	-4,634	-6,752	-4,557
Cash flow from financing activities	-3,575	-4,690	-9,205	-6,575
Net cash flow	-189	614	-589	947
Cash and cash equivalents at beginning of period	2,510	2,525	3,020	2,178
Foreign exchange adjustment of cash and cash equivalents	27	-119	-83	-105
Cash and cash equivalents at period-end[3]	2,348	3,020	2,348	3,020

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

NOTE 1 (PAGE 1 OF 3)

Segment reporting by region

	Q4 2016	Q4 2015	H2 2016	H2 2015	2016	2015
Beer sales (pro rata, million hl)						
Western Europe	10.4	11.0	24.2	25.6	48.4	50.2
Eastern Europe	6.8	7.5	16.5	16.3	32.4	32.3
Asia	6.7	7.0	17.1	18.0	36.1	37.8
Total	23.9	25.5	57.8	59.9	116.9	120.3
Other beverages (pro rata, million hl)						
Western Europe	3.9	4.1	8.4	8.5	16.3	16.2
Eastern Europe	0.3	0.2	1.0	0.8	2.0	1.7
Asia	0.7	0.9	1.6	1.7	3.6	3.6
Total	4.9	5.2	11.0	11.0	21.9	21.5
Net revenue (DKK million)						
Western Europe[1]	8,438	8,992	18,837	20,031	37,597	38,811
Eastern Europe[1]	2,334	2,394	5,482	5,393	10,205	10,890
Asia	3,052	3,181	7,027	7,391	14,666	15,339
Not allocated	13	89	25	137	146	314
Beverages, total	13,837	14,656	31,371	32,952	62,614	65,354
Non-beverages	-	-	-	-	-	-
Total	13,837	14,656	31,371	32,952	62,614	65,354
Operating profit before depreciation, amortisation and special items (EBITDA, DKK million)						
Western Europe			3,973	4,061	7,107	7,036
Eastern Europe			1,469	1,525	2,569	2,837
Asia			2,172	2,203	4,171	4,219
Not allocated			-334	-348	-793	-738
Beverages, total			7,280	7,441	13,054	13,354
Non-beverages			13	-85	-48	-141
Total			7,293	7,356	13,006	13,213
Operating profit before special items (EBIT, DKK million)						
Western Europe			3,083	3,170	5,358	5,325
Eastern Europe			1,081	1,078	1,832	1,908
Asia			1,474	1,468	2,802	2,799
Not allocated			-850	-753	-1,691	-1,426
Beverages, total			4,788	4,963	8,301	8,606
Non-beverages			9	-89	-56	-149
Total			4,797	4,874	8,245	8,457
Operating margin (%)						
Western Europe			16.4	15.8	14.2	13.7
Eastern Europe			19.7	20.0	18.0	17.4
Asia			21.0	19.9	19.1	18.2
Not allocated			…	…	…	…
Beverages, total			15.3	15.1	13.3	13.2
Non-beverages			…	…	…	…
Total			15.3	14.8	13.2	12.9

[1]As of January 2016, the Carlsberg Group has decided that inter-segment revenue should be allocated to and eliminated in the segment where the revenue is recognised. The change was made during second half of the year and the figures previously reported for the first half of the year and 2015 have been restated accordingly.

NOTE 1 (PAGE 2 OF 3)

Segment reporting by region

DKK million	2016	2015
Capital expenditure, CAPEX		
Western Europe	1,690	1,242
Eastern Europe	454	449
Asia	1,244	1,781
Not allocated	426	589
Beverages, total	3,814	4,061
Non-beverages	26	89
Total	3,840	4,150
Amortisation and depreciation		
Western Europe	1,749	1,711
Eastern Europe	737	929
Asia	1,369	1,420
Not allocated	898	688
Beverages, total	4,753	4,748
Non-beverages	8	8
Total	4,761	4,756
Capital expenditure/Amortisation and depreciation (%)		
Western Europe	97	73
Eastern Europe	62	48
Asia	91	125
Not allocated	…	…
Beverages, total	80	86
Non-beverages	…	…
Total	81	87

NOTE 1 (PAGE 3 OF 3)

Segment reporting by region

DKK million	2016	2015
Invested capital, period-end		
Western Europe	34,541	35,285
Eastern Europe	34,859	29,138
Asia	21,594	23,901
Not allocated	-1,396	1,468
Beverages, total	89,598	89,792
Non-beverages	505	310
Total	90,103	90,102
Invested capital excl. goodwill, period-end		
Western Europe	13,748	14,666
Eastern Europe	17,878	14,972
Asia	6,504	8,416
Not allocated	-1,396	1,468
Beverages, total	36,734	39,522
Non-beverages	505	310
Total	37,239	39,832
Return on invested capital, ROIC (%), MAT		
Western Europe	14.9	14.4
Eastern Europe	6.0	5.0
Asia	12.5	10.4
Not allocated	…	…
Beverages, total	9.3	8.3
Non-beverages	…	…
Total	9.2	8.1
Return on invested capital excl. goodwill (%), MAT		
Western Europe	34.9	32.8
Eastern Europe	12.0	8.8
Asia	37.8	28.2
Not allocated	…	…
Beverages, total	21.7	17.4
Non-beverages	…	…
Total	21.2	16.9

NOTE 2

Segment reporting by activity

DKK million	H2 2016			H2 2015		
	Beverages	Non-beverages	Total	Beverages	Non-beverages	Total
Net revenue	31,371	-	31,371	32,952	-	32,952
Operating profit before special items	4,788	9	4,797	4,963	-89	4,874
Special items, net	-143	-12	-155	-8,181	-195	-8,376
Financial items, net	-539	-5	-544	-753	-8	-761
Profit before tax	4,106	-8	4,098	-3,971	-292	-4,263
Corporation tax	-1,347	-5	-1,352	-187	52	-135
Consolidated profit	2,759	-13	2,746	-4,158	-240	-4,398
Attributable to:						
Non-controlling interests	127	-	127	23	-	23
Shareholders in Carlsberg A/S	2,632	-13	2,619	-4,181	-240	-4,421

DKK million	2016			2015		
	Beverages	Non-beverages	Total	Beverages	Non-beverages	Total
Net revenue	62,614	-	62,614	65,354	-	65,354
Operating profit before special items	8,301	-56	8,245	8,606	-149	8,457
Special items, net	263	-12	251	-8,455	-204	-8,659
Financial items, net	-1,237	-10	-1,247	-1,513	-18	-1,531
Profit before tax	7,327	-78	7,249	-1,362	-371	-1,733
Corporation tax	-2,402	10	-2,392	-917	68	-849
Consolidated profit	4,925	-68	4,857	-2,279	-303	-2,582
Attributable to:						
Non-controlling interests	371	-	371	344	-	344
Shareholders in Carlsberg A/S	4,554	-68	4,486	-2,623	-303	-2,926

NOTE 3

Segment reporting by half-year

DKK million	H1 2014	H2 2014	H1 2015	H2 2015	H1 2016	H2 2016
Net revenue						
Western Europe	18,585	19,177	18,780	20,031	18,760	18,837
Eastern Europe	7,476	6,624	5,497	5,393	4,723	5,482
Asia	5,925	6,566	7,948	7,391	7,639	7,027
Not allocated	72	81	177	137	121	25
Beverages, total	32,058	32,448	32,402	32,952	31,243	31,371
Non-beverages	-	-	-	-	-	-
Total	32,058	32,448	32,402	32,952	31,243	31,371
Operating profit before special items						
Western Europe	2,311	3,159	2,155	3,170	2,275	3,083
Eastern Europe	1,510	1,452	830	1,078	751	1,081
Asia	1,035	1,160	1,331	1,468	1,328	1,474
Not allocated	-733	-549	-673	-753	-841	-850
Beverages, total	4,123	5,222	3,643	4,963	3,513	4,788
Non-beverages	-69	-46	-60	-89	-65	9
Total	4,054	5,176	3,583	4,874	3,448	4,797
Special items, net	-124	-1,229	-283	-8,376	406	-155
Financial items, net	-714	-477	-770	-761	-703	-544
Profit before tax	3,216	3,470	2,530	-4,263	3,151	4,098
Corporation tax	-804	-944	-714	-135	-1,040	-1,352
Consolidated profit	2,412	2,526	1,816	-4,398	2,111	2,746
Attributable to:						
Non-controlling interests	269	255	321	23	244	127
Shareholders in Carlsberg A/S	2,143	2,271	1,495	-4,421	1,867	2,619

NOTE 4

Special items

DKK million	2016	2015
Special items, income:		
Gain on disposal of entities and activities, and adjustments to gains in prior years	2,078	22
Reversal of impairments in prior years related to disposed entities	207	-
Gain on disposal of property, plant and equipment impaired in prior years	26	166
Reversal of provision recognised in a purchase price allocation in prior years	80	-
Income total	2,391	188
Special items, expenses:		
Impairment of brands, Baltika Breweries, Russia, and Chongqing Brewery Group, China	-867	-4,475
Impairment and restructuring of Eastern Assets, China	-22	-2,882
Impairment and restructuring of Chongqing Brewery Group, China	-277	-270
Impairment and restructuring of Carlsberg UK, including onerous contract and terminated licence agreement	-395	-98
Impairment of Bihar Brewery, India	-199	-
Impairment and restructuring of Carlsberg Deutschland, Germany	-152	-
Impairment and restructuring in relation to optimisation and standardisation in Western Europe	-103	-132
Impairment and restructuring of Baltika Breweries, Russia	-	-344
Impairment and restructuring of Xinjiang Wusu Group, China	-18	-92
Group-wide organisational efficiency programme	-3	-233
Disposal and impairment of real estate, including adjustments to gains in prior years	-70	-153
Severance and share-based payments to members of the Executive Committee	-39	-93
Costs related to acquisitions and loss on disposals of entities	-	-30
Other, net	5	-45
Expenses, total	-2,140	-8,847
Special items, net	251	-8,659

NOTE 5 (PAGE 1 OF 2)

Debt and credit facilities

DKK million	31 Dec. 2016
Non-current borrowings:	
Issued bonds	18,489
Bank borrowings	1,114
Mortgages	420
Other non-current borrowings and leases	1,114
Total	21,137
Current borrowings:	
Issued bonds	7,424
Current portion of other non-current borrowings	193
Bank borrowings	1,443
Other current borrowings and leases	7
Total	9,067
Total non-current and current borrowings	30,204
Cash and cash equivalents	-3,502
Net financial debt	26,702
Other interest-bearing assets, net	-1,199
Net interest-bearing debt	25,503

NOTE 5 (PAGE 2 OF 2)

Debt and credit facilities

DKK million Time to maturity for non-current borrowings						31 Dec. 2016
	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	-	5,582	-	-	12,907	18,489
Bank borrowings	1,058	18	16	12	10	1,114
Mortgages	-	-	-	-	420	420
Other non-current borrowings and leases	20	1,079	-	-	15	1,114
Total	1,078	6,679	16	12	13,352	21,137

DKK million Interest risk at 31 Dec. 2016	Net financial debt¹	Interest² Floating %	Fixed %
EUR	18,207	28%	72%
DKK	7,313	100%	0%
Other currencies	1,182	124%	-24%
Total	26,702	24%	76%

¹ After currency swaps.
² Before currency swaps.

DKK million Committed credit facilities³	31 Dec. 2016
Less than 1 year	9,426
1 to 2 years	1,447
2 to 3 years	6,679
3 to 4 years	16
4 to 5 years	18,672
More than 5 years	13,352
Total	49,592
Short term	9,426
Long term	40,166

³ Defined as short-term borrowings and long-term committed credit facilities.

NOTE 6

Net interest-bearing debt

DKK million	H2 2016	H2 2015	2016	2015
Net interest-bearing debt is calculated as follows:				
Non-current borrowings			21,137	31,479
Current borrowings			9,067	4,549
Gross interest-bearing debt			30,204	36,028
Cash and cash equivalents			-3,502	-3,131
Loans to associates			-300	-248
On-trade loans, net			-863	-968
Other receivables, net			-36	-736
Net interest-bearing debt			25,503	30,945
Changes in net interest-bearing debt:				
Net interest-bearing debt at beginning of period	28,290	36,195	30,945	36,567
Cash flow from operating activities	-4,036	-6,296	-9,329	-10,140
Cash flow from investing activities, excl. acquisition of entities	1,831	978	2,682	2,585
Cash flow from acquisition of entities, net	-1,181	14	-1,969	33
Dividend to shareholders and non-controlling interests	177	20	1,990	1,886
Acquisition of non-controlling interests	29	-2	399	-
Acquisition/disposal of treasury shares and exercise of share options	45	38	65	132
Acquired net interest-bearing debt from acquisition of entities	-147	26	-83	365
Change in interest-bearing lending	189	-106	725	-351
Effects of currency translation	309	-63	-46	-244
Other	-3	141	124	112
Total change	-2,787	-5,250	-5,442	-5,622
Net interest-bearing debt, end of period	25,503	30,945	25,503	30,945

APPENDIX 1

Restatement of relevant 2016 figures following changes to accounting policies in 2017

The Carlsberg Group has changed the segmentation format as of 1 January 2017. Carlsberg Supply Company is a separate legal entity, comprising the supply chain office and related activities. As this is operationally focused on Western Europe, which is also its key priority, the Group has decided to move the company to the Western Europe segment. Previously, the company was included in the "Not allocated" segment. Central costs, mainly overall management costs, not managed or influenced by Western Europe, will continue to be recognised as "Not allocated". The new segmentation reflects the structure used for internal control and monitoring of the Group's strategic and financial targets.

Furthermore, the calculation of the return on invested capital (ROIC) has changed as of 1 January 2017, as the Group decided to combine the internal and external measurements. Compared with the 2016 calculation, the new ROIC calculation uses operating profit before special items adjusted for tax based on the effective tax rate, and includes assets held for sale and trade receivables sold.

The Danish Finance Society's guidelines in its *Recommendations and Financial Ratios 2015* do not acknowledge the use of special items and state that any adjustment for tax should be based on the marginal tax rate. The new calculation is therefore not fully in accordance with the Danish Finance Society's guidelines.

	H1 2016	H2 2016	2016
Operating profit before depreciation, amortisation and special items (EBITDA, DKK million)			
Western Europe	3,006	3,825	6,831
Not allocated	-331	-187	-518
Operating profit before special items (EBIT, DKK million)			
Western Europe	2,042	2,816	4,858
Not allocated	-608	-583	-1,191
Operating margin (%)			
Western Europe	10.9	14.9	12.9
Not allocated	...	...	...
Capital expenditure, CAPEX			
Western Europe	...	...	1,920
Not allocated	...	...	196
Amortisation and depreciation			
Western Europe	...	...	1,971
Not allocated	...	...	674
Capital expenditure/Amortisation and depreciation (%)			
Western Europe	...	...	97
Not allocated	...	...	...
Invested capital, period-end			
Western Europe	35,396	34,058	34,058
Not allocated	-172	-913	-913
Invested capital excl. goodwill, period-end			
Western Europe	14,859	13,265	13,265
Not allocated	-172	-913	-913
Return on invested capital, ROIC (%), MAT			
Western Europe	9.6	9.2	9.2
Eastern Europe	4.4	4.5	4.5
Asia	8.0	8.3	8.3
Not allocated	...	...	...
Beverages, total	6.1	5.9	5.9
Non-beverages	...	...	...
Total	5.9	5.9	5.9
Return on invested capital excl. goodwill (%), MAT			
Western Europe	20.5	19.8	19.8
Eastern Europe	8.2	8.8	8.8
Asia	21.0	23.2	23.2
Not allocated	...	...	...
Beverages, total	12.7	12.9	12.9
Non-beverages	...	...	...
Total	12.2	12.7	12.7

APPENDIX 2

Company announcements in 2016

07/01/2016	Carlsberg appoints new Chief Financial Officer
10/02/2016	Financial statement as at 31 December 2015
17/02/2016	Notice to convene the Annual General Meeting
4/02/2016	Carlsberg A/S' Annual Report 2015
16/03/2016	Carlsberg announces its SAIL'22 strategy
17/03/2016	Carlsberg A/S – Annual General Meeting – Summary
29/03/2016	Major shareholder announcement – BlackRock, Inc.
11/05/2016	Q1 2016 Trading Statement
17/08/2016	Financial statement as at 30 June 2016
09/11/2016	Q3 2016 Trading Statement
08/12/2016	Major shareholder announcement – BlackRock, Inc.
10/12/2016	Major shareholder announcement – BlackRock, Inc.