

# FULL YEAR RESULTS 2016

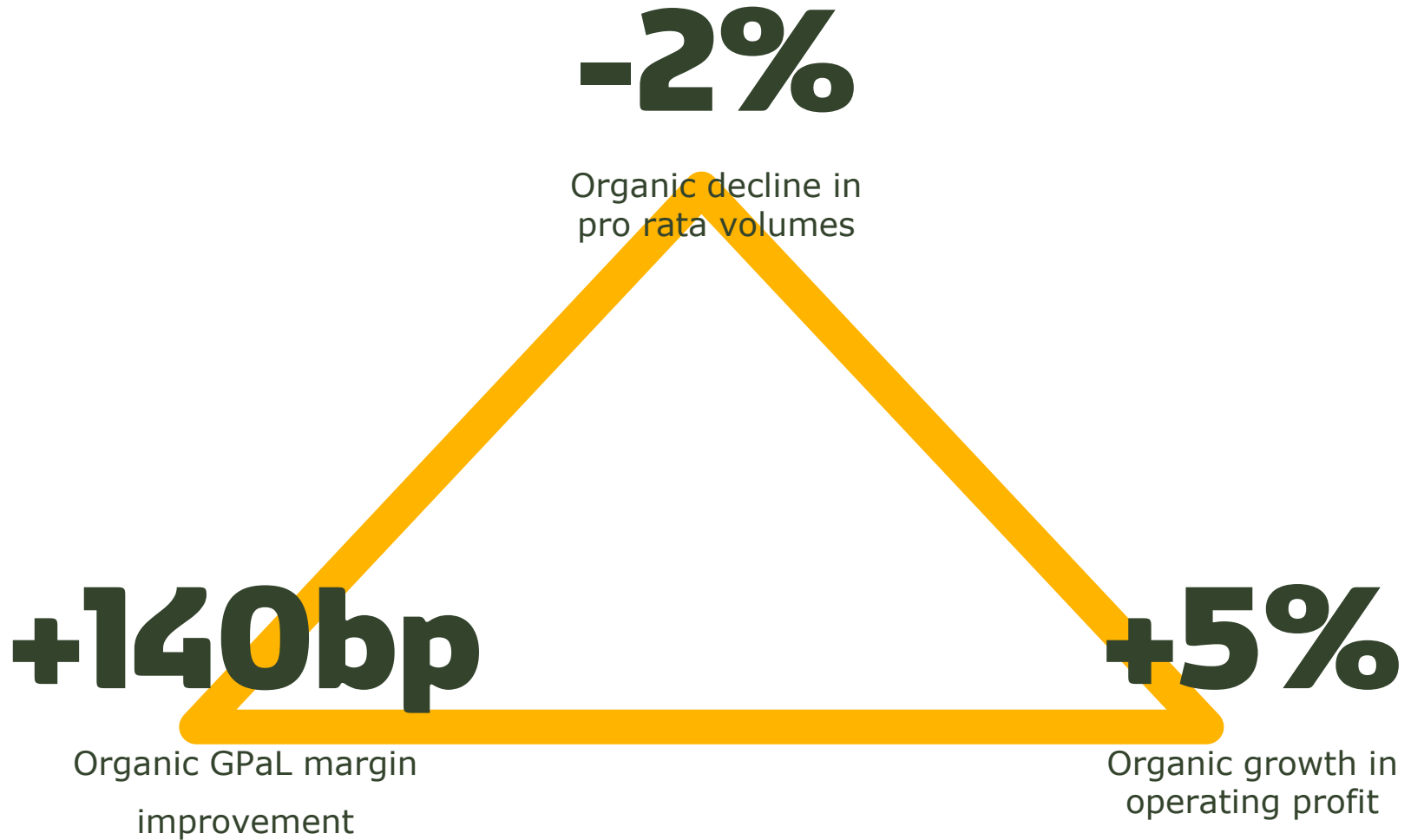
Carlsberg  
Group



# 2016 HIGHLIGHTS



# A GOOD YEAR FOR CARLSBERG



# IMPLEMENTATION OF SAIL'22 – PRIORITIES ON TRACK

## STRENGTHEN THE CORE



LEVERAGE  
OUR STRONGHOLDS



EXCEL  
IN EXECUTION



FUNDING  
THE JOURNEY

## POSITION FOR GROWTH



WIN IN GROWING  
CATEGORIES



TARGET  
BIG CITIES



GROW  
IN ASIA

## DELIVER VALUE FOR SHAREHOLDERS



ORGANIC GROWTH IN  
OPERATING PROFIT



ROIC  
IMPROVEMENT



OPTIMAL  
CAPITAL ALLOCATION

## CREATE A WINNING CULTURE





# STRENGTHEN CORE – GOOD MOMENTUM IN 2016

## STRENGTHEN THE CORE



LEVERAGE  
OUR STRONGHOLDS



EXCEL  
IN EXECUTION



FUNDING  
THE JOURNEY

- Development of new commercial approach to strengthen portfolio and channel choices
- Russia – sharpened commercial agenda
- Implementation of point-of-sale excellence tools
- Hiring digital capabilities
- FtJ: approx. DKK 0.5bn of DKK 1.5-2.0bn benefits delivered in 2016



# POSITION FOR GROWTH – MAJOR INVESTMENTS IN 2016 AND 2017

## POSITION FOR GROWTH



WIN IN GROWING  
CATEGORIES



TARGET  
BIG CITIES



GROW  
IN ASIA

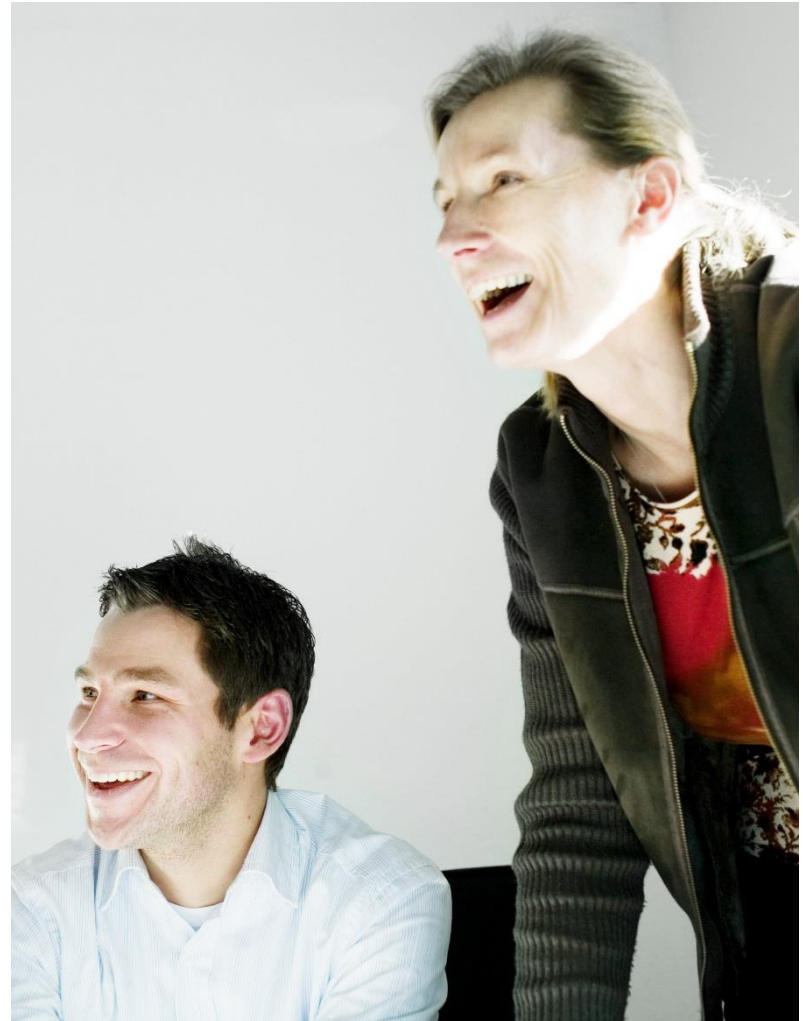
- Good growth momentum behind craft & speciality
- Growing existing NAB brands and developing new liquids
- Big city team in place with plans and concepts being finalised
- Continued expansion of Tuborg in Asia



# CREATE A WINNING CULTURE – SIGNIFICANT STEPS TAKEN IN 2016

## CREATE A WINNING CULTURE

- Instilling a stronger team- and performance-based culture
- Implementation of the 3As – Alignment, Accountability and Action
- Changing incentive schemes to reflect new culture and 3A
- Strengthening of top-leadership team
  - CFO joined in June
  - Change of leadership in Western Europe, Asia, and supply chain
  - Change of country MDs
  - Change of head of central functions



# FUNDING THE JOURNEY – DELIVERING APPROX. DKK 0.5bn IN 2016

## STRENGTHEN THE CORE



LEVERAGE  
OUR STRONGHOLDS



EXCEL  
IN EXECUTION



FUNDING  
THE JOURNEY

## VALUE MANAGEMENT

- Golden Triangle embedded
- 3% price/mix

## SUPPLY CHAIN EFFICIENCY

- Supply chain savings executed
- 1,200 SKUs removed
- Further work on complexity reduction initiated

## OPERATING EXPENSE EFFICIENCY

- Headcount reduction of 2,280
- Substantial OCM savings in Asia and Eastern Europe
- Outsourcing of share services
- Intensified focus on indirect spend

## RIGHT-SIZING OF BUSINESSES

- China: 17 sites closed or sold
- UK: Outsourcing of portorage and secondary logistics
- Disposals in 2016: Danish Malting Group, Xinjiang Wusu asset swap, Carlsberg Malawi, VungTau, Sejet
- Disposals in 2017: Carlsberg Uzbekistan, United Romanian Breweries



# DELIVER VALUE FOR SHAREHOLDERS – ON-TRACK

## DELIVER VALUE FOR SHAREHOLDERS



ORGANIC GROWTH IN  
OPERATING PROFIT

- 5% organic operating profit growth



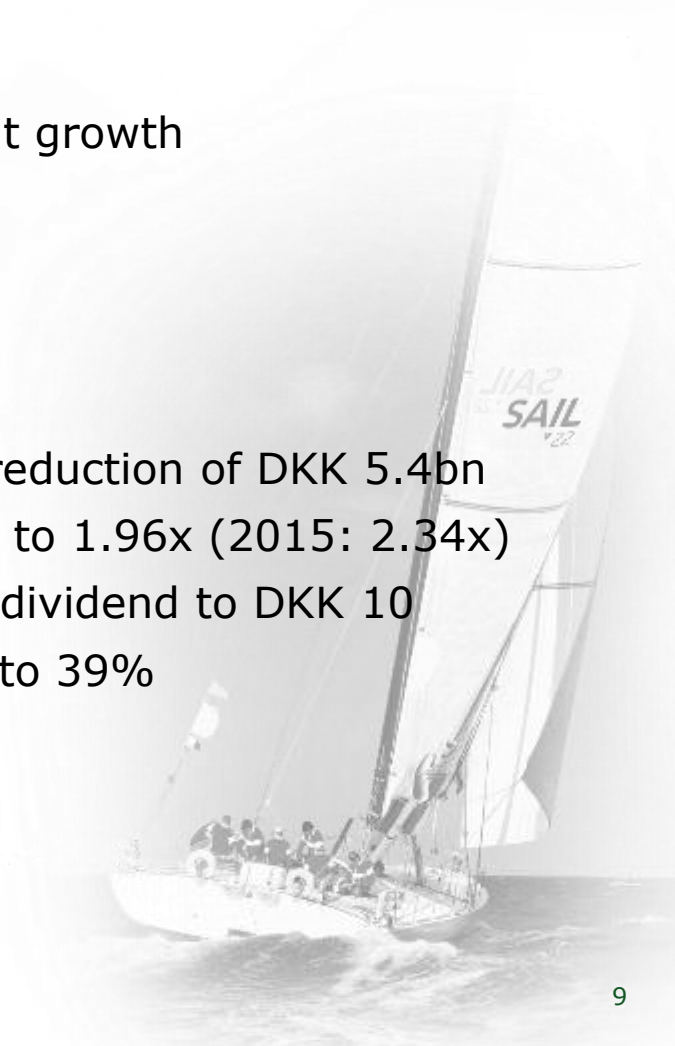
ROIC  
IMPROVEMENT

- 110bp ROIC improvement



OPTIMAL  
CAPITAL ALLOCATION

- Net interest-bearing debt reduction of DKK 5.4bn
- Financial leverage reduced to 1.96x (2015: 2.34x)
- Proposed 11% increase in dividend to DKK 10
  - Increase in payout rate to 39%



# FINANCIAL RESULTS



# INCOME STATEMENT (1)

## NET REVENUE

- DKK 62.6bn
- Organic growth of 2%
- Price/mix +3%; positive in all three regions

## GROSS MARGIN

- Improvement of 140bp to 50.2% driven by price/mix and efficiency improvements

## OPEX

- Organic increase of 3%
  - Driven by sales & marketing, SAIL'22, EURO 2016, incentive programmes, IT amortisation
- Central costs of DKK 1.7bn impacted by SAIL'22, EURO 2016 and costs of incentive programmes

## OPERATING PROFIT

- DKK 8.2bn
- Organic growth of +5%
- Reported decline -3% driven by FX and disposals



# INCOME STATEMENT (2)

## SPECIAL ITEMS

- DKK +251m
- Impacted by divestments and Funding the Journey measures

## NET FINANCIALS

- Net interest costs DKK -879m
  - Down by DKK 207m driven by lower net debt
- Other financial items DKK -368m
  - Down by DKK 77m due to FX, write-offs and Finnish tax case

## TAX

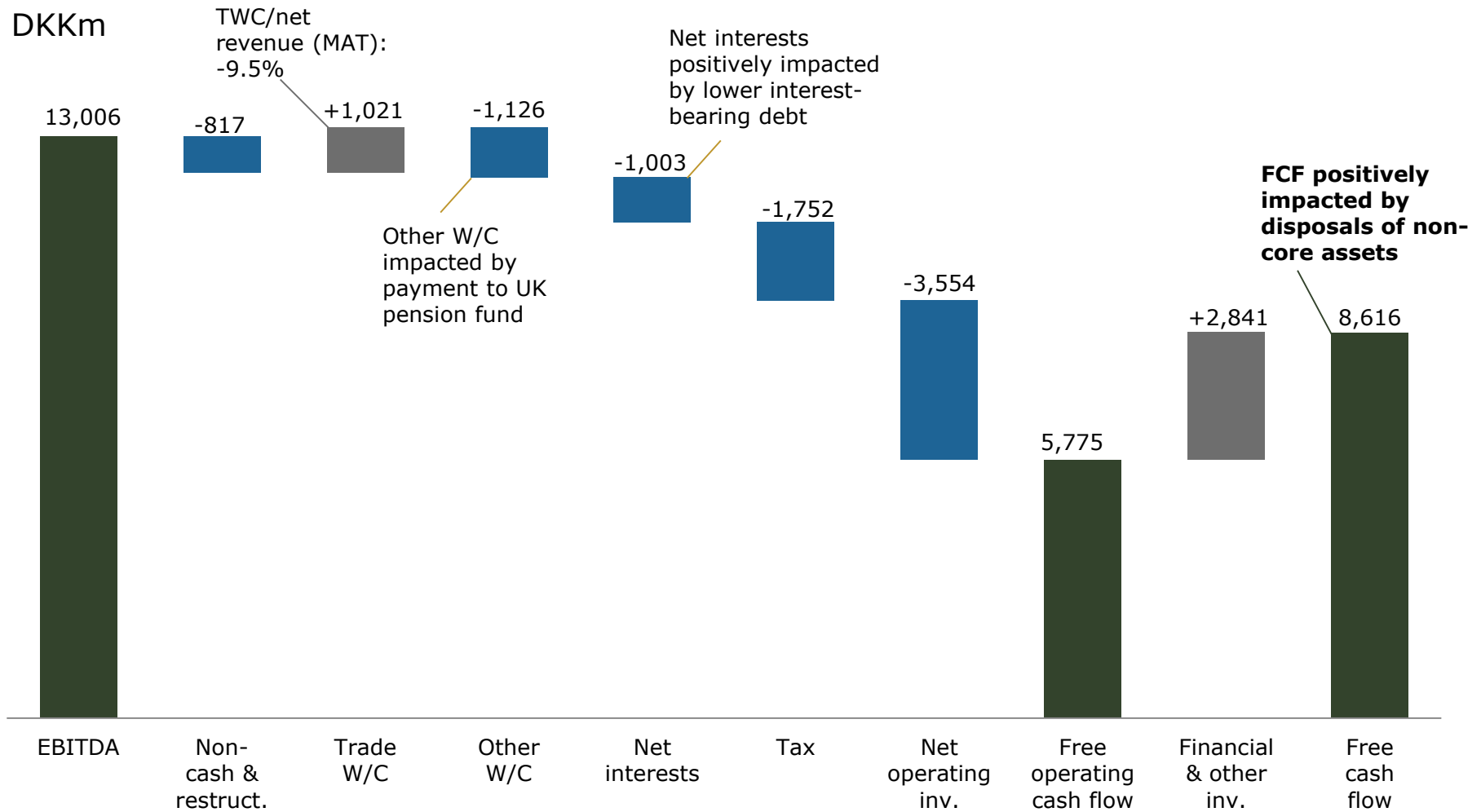
- Effective tax rate 33%
  - Impacted by one-off expense related to Finnish tax case

## NET PROFIT

- Reported DKK 4.5bn
- Adjusted EPS DKK 25.4



# CASH FLOW





# 2017 OUTLOOK

## KEY FOCUS

- Executing *Funding the Journey and SAIL'22* priorities
- Regional priorities

## 2017 FINANCIAL EXPECTATIONS

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

## OTHER ASSUMPTIONS

- A translation impact on operating profit of around DKK +350m based on the spot rate on 6 February
- Net financial costs, excluding currency gains or losses, at DKK 1.0-1.1bn
- Tax rate of just below 30%
- Capital expenditures of around DKK 4bn



# REGION PERFORMANCE



# WESTERN EUROPE

- ~1% market growth
- Market share decline
- Revenue down 1% organically
  - Solid price/mix of 2% driven by value management focus
  - Volume decline of 2% mainly due to withdrawal from margin-dilutive contracts
- 3% organic operating profit growth
- 50bp operating margin improvement

m.HI / DKKbn	2015	Org. Δ	Acq. net	FX	2016
Beer volume	50.2	-4%	0%		48.4
Other bev. volume	16.2	2%	0%		16.3
Total bev. volume	66.4	-2%	0%		64.7
Net revenue	38.8	-1%	0%	-2%	37.6
Operating profit	5.3	3%	0%	-2%	5.4
Operating margin	13.7%				14.2%





## THE NORDICS

- Market growth
- 3% volume decline due to Finland
- Solid price/mix from C&S, value management and less low-priced volumes
- Good profit development

## FRANCE

- 1% volume growth in a market growing by 3%
- Positive performance by Carlsberg, Tourtel and C&S
- Mixed market share performance

## POLAND

- Increased competition, promotional pressure and negative channel mix
- Market share loss from withdrawal from certain customers

**ROIC**  
**+50bp**

## OTHER MARKETS

- Turnaround in the UK progressing well
- Solid profit development in Switzerland
- Bulgaria, Greece and Italy delivering particularly good performance



# EASTERN EUROPE

- Beer markets impacted by challenging macro environment
- Flat organic beer volumes
- Solid 7% price/mix mainly driven by price increases
- Earnings growth and margin improvement
  - 12% organic operating profit growth
  - 60bp operating margin improvement
- Significant currency impact

m.HI / DKKbn	2015	Org. Δ	Acq. net	FX	2016
Beer volume	32.3	0%	0%		32.4
Other bev. volume	1.7	15%	0%		2.0
Total bev. volume	34.0	1%	0%		34.4
Net revenue	10.9	8%	0%	-14%	10.2
Operating profit	1.9	12%	0%	-16%	1.8
Operating margin	17.4%				18.0%





# EASTERN EUROPE – MARKET COMMENTS

## RUSSIA

- Market down ~1-2% due to continued challenging macro environment and consumer sentiment, partly offset by warm weather in Q3
- Market share of 34.5%<sup>1</sup>, with y/y improvement in H2
  - Good performance of Carlsberg, Baltika 0 and Zhigulevskoe
- Strengthened position in Modern Trade
- Volume growth of 1%, helped by easy comps (destocking)
- Packaging formats changed to comply with PET restrictions

# 16%

Russia share of Group operating profit in 2016

## UKRAINE

- Market decline of estimated 6-7%
- Excise duty increase of 100% as per 1 January 2016
- Positive market share performance driven by Carlsberg and Lvivske
- Solid margin improvements



<sup>1</sup> Source: Nielsen Retail Audit, Urban & Rural Russia

- 4% organic revenue growth
  - 2% organic volume decline impacted by brewery closures and market decline in China
  - Solid 6% price/mix with strong mix improvement from premium category growth
- Continued earnings growth
  - +6% organic operating profit growth
  - Operating margin improvement of 90bp

m.HI / DKKbn	2015	Org. Δ	Acq. net	FX	2016
Beer volume	37.8	-3%	-2%		36.1
Other bev. volume	3.6	9%	-10%		3.6
Total bev. volume	41.4	-2%	-2%		39.7
Net revenue	15.3	4%	-3%	-5%	14.7
Operating profit	2.8	6%	-2%	-4%	2.8
Operating margin	18.2%				19.1%



# ASIA – MARKET COMMENTS

## CHINA

- Market decline of an estimated 4%
- Volumes down by 6% due to market decline and brewery closures
- Positive mix supported by continued strong performance of Tuborg and 1664 Blanc
- Strong margin improvement from premium growth and network optimization

## INDIA

- Volumes up 16%
- Market growth of ~3%
- Estimated 16% market share



## INDOCHINA

- Tuborg launched in Vietnam, Laos and Cambodia
- Continued strong performance in Laos
- Market share loss in Cambodia

**TUBORG**  
**+15%**

Growth in Asia

# CONCLUDING REMARKS – DELIVERING ON OUR 2016 PRIORITIES

## 2016 PRIORITIES

- Funding the Journey
- Implementation of SAIL'22
- Regional priorities



## SAIL'22 FINANCIAL PRIORITIES

- Organic growth in operating profit
- ROIC improvement
- Optimal capital allocation





# Q&A

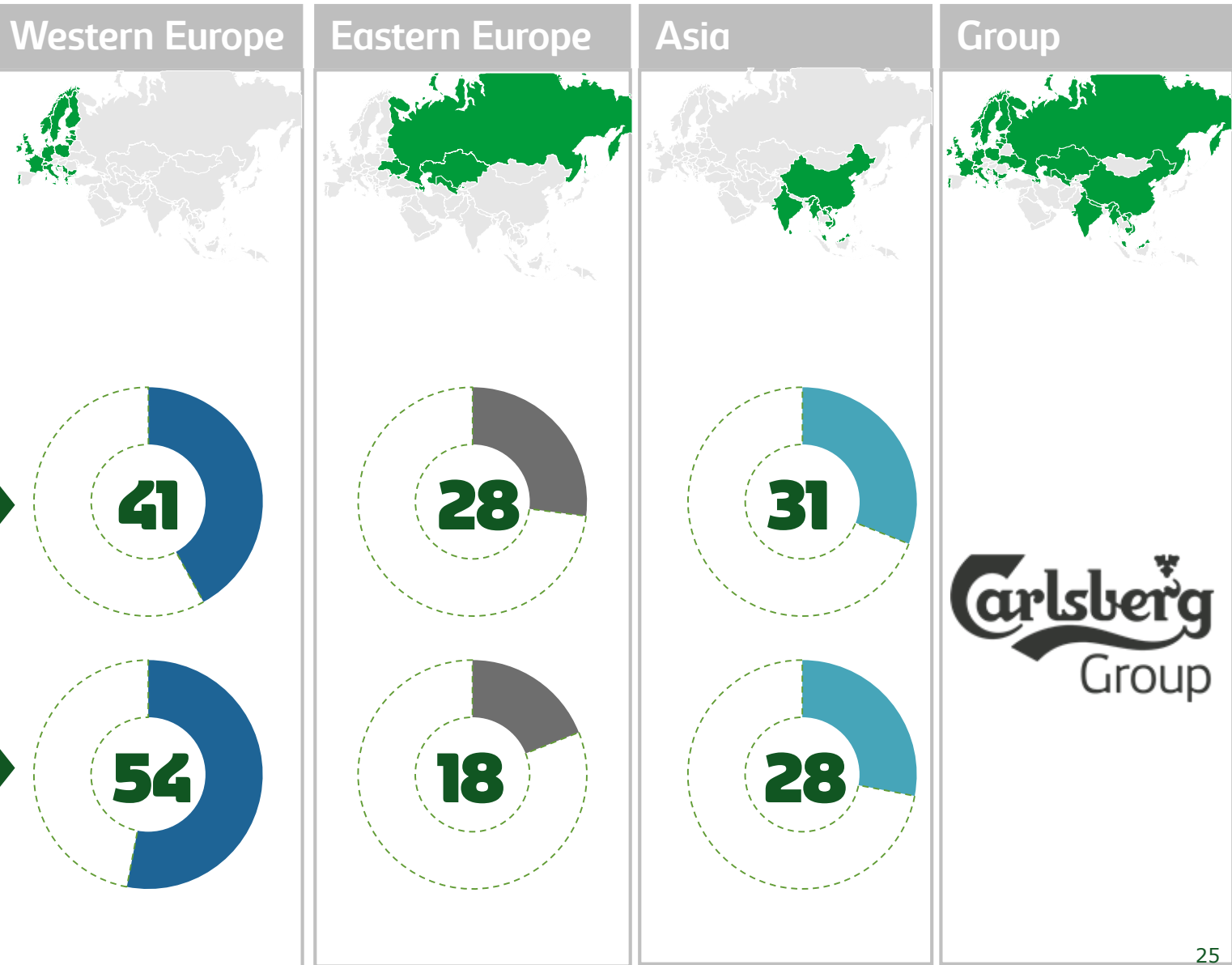




# APPENDIX



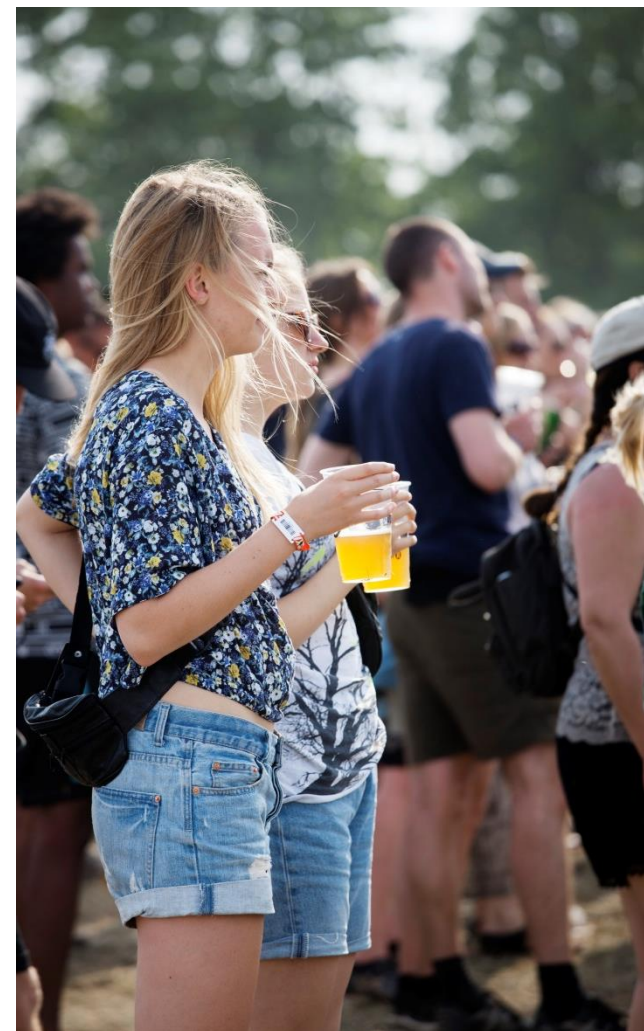
# THREE REGIONS



# FINANCIAL CALENDAR

## FINANCIAL CALENDAR 2017

Annual report	24 February
AGM	30 March
Trading statement for Q1	4 May
Interim results for Q2	16 August
Capital Markets Day	12 October
Trading statement for Q3	2 November



## Forward-looking statements

This presentation 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.

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