

# H1 2017 INTERIM FINANCIAL STATEMENTS

16 August 2017

# Strong H1 results

## **GROWING** TOP-& BOTTOM-LINE

Net revenue +2% (organic)

Operating profit +15% (organic)

Adjusted EPS +63%

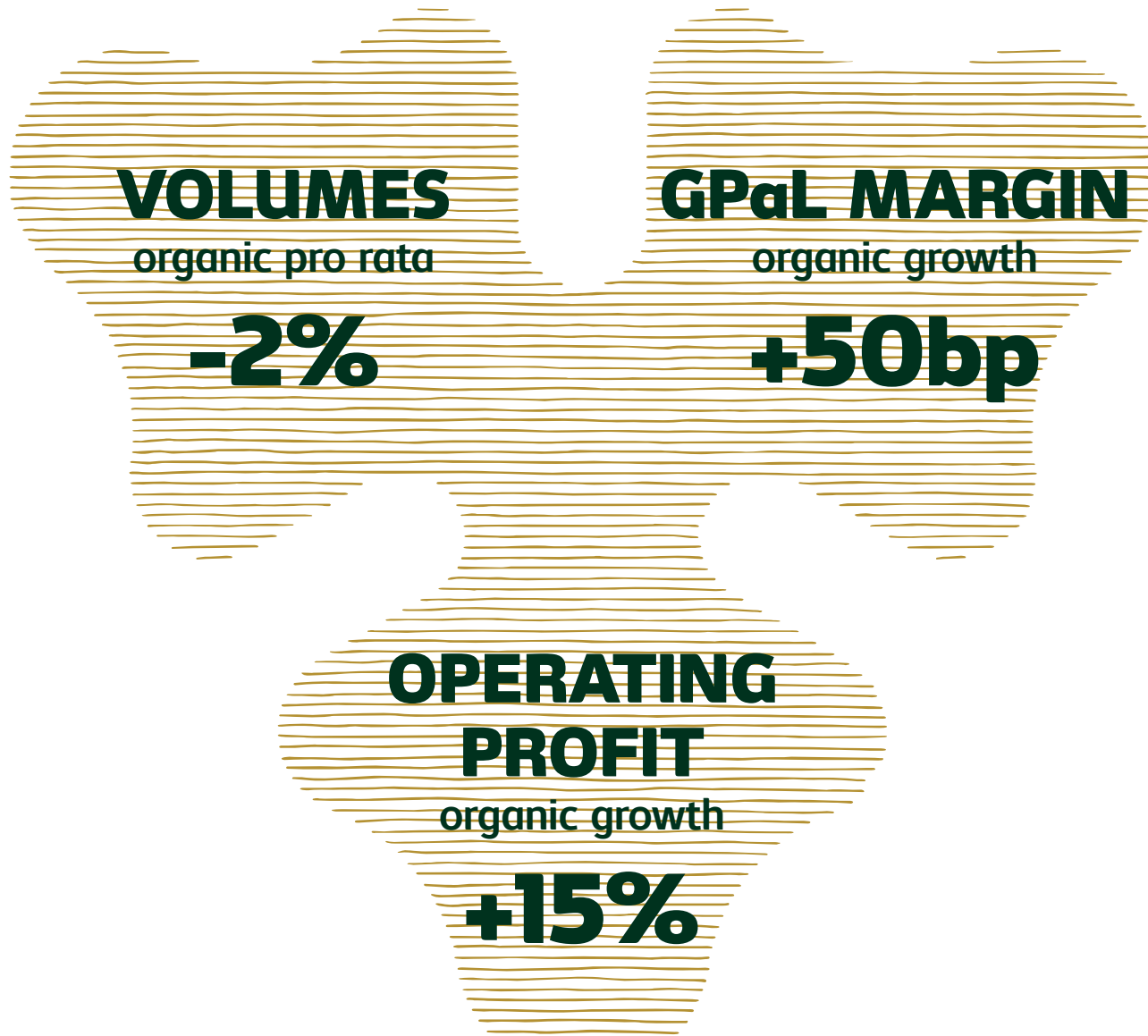
## **IMPROVING** CASH FLOW

Free operating cash flow +37%

## **REDUCING** LEVERAGE

Net debt/EBITDA 1.57x

# Balancing the Golden Triangle



# Turning our strategy into reality

## FUNDING THE JOURNEY

- On track to deliver the expected net benefits of DKK 1.5-2.0bn by 2018
  - A large proportion to be delivered in 2017
- Funding the Journey governance structure and processes being incorporated into daily routines and standard business operations

## SAIL'22

- Investment in and execution of SAIL'22 priorities on-going
  - Strengthen core business
  - Drive future top-line growth
- Craft & speciality growth of +25%
- Alcohol-free beer growth in Western Europe of +13%
- Launch of Together Towards ZERO with industry-leading ambitions



# FINANCIAL RESULTS

# Income statement (1)

## NET REVENUE

- DKK 31.8bn
- Organic growth of 2%
- Price/mix +4%; positive in all three regions

## GROSS MARGIN

- Improvement of 110bp to 50.8% driven by price/mix and efficiency improvements

## OPEX

- Organic decline of 1%
  - In percent of net revenue, -110bp to 38.3%
- Central costs of DKK 705m impacted by phasing and SAIL'22 investments

## OPERATING PROFIT

- DKK 4.1bn
- Organic growth of 15%
- Reported growth of 20%, incl. FX



# Income statement (2)

## SPECIAL ITEMS

- DKK +38m
- Mainly impacted by Funding the Journey measures

## NET FINANCIALS

- Net interest costs DKK -354m
  - Down by DKK 89m driven by lower average net debt and GBP bond maturing Nov. '16
- Currency gains, net, and fair value adjustments of DKK 167m
- Other financial items DKK -164m

## TAX

- Effective tax rate 29%

## NON-CONT. INTEREST

- DKK 403m (DKK 244m in H1 2016 that was impacted by impairment and restructuring in Chongqing)

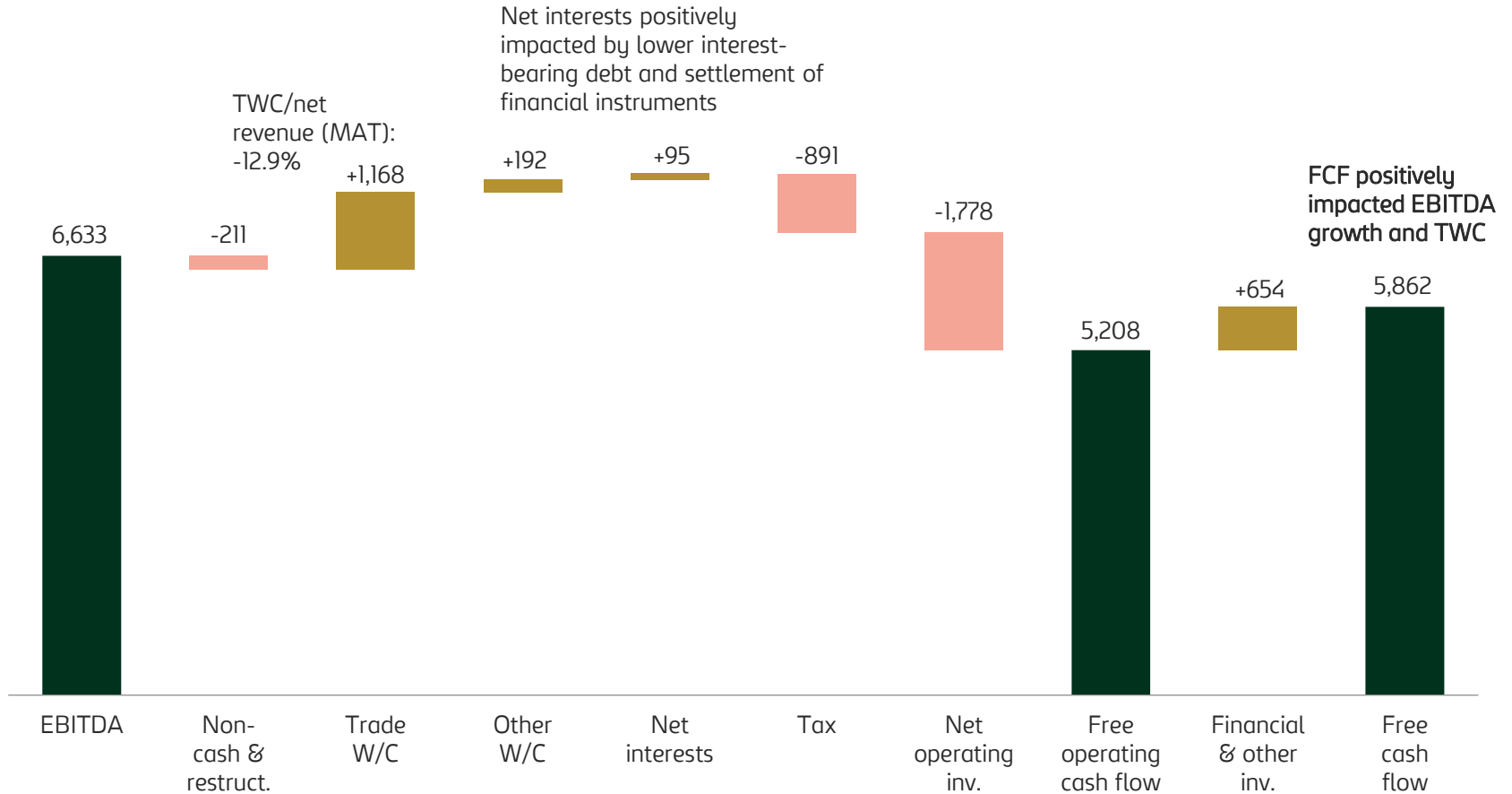
## NET PROFIT

- Reported DKK 2.3bn (+23%)
- Adjusted EPS DKK 15.0 (+63%)



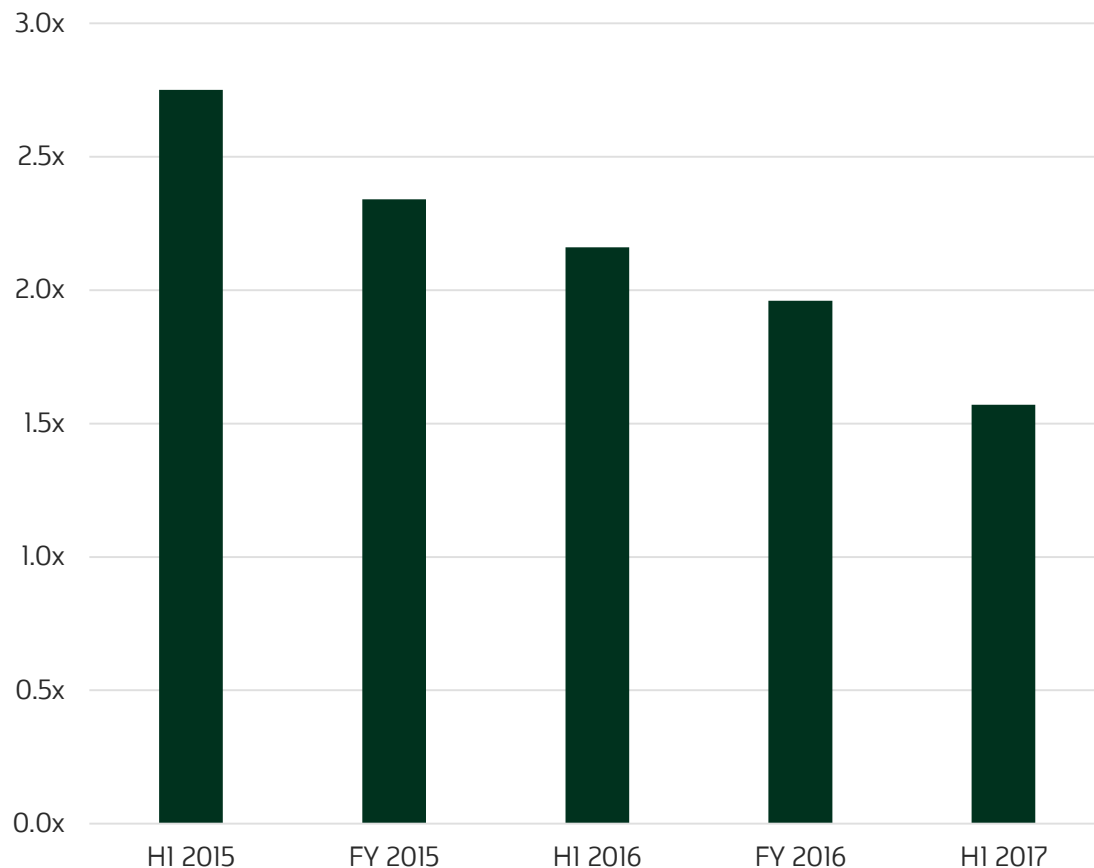
# Cash flow

DKKm





# Net debt/EBITDA



## Continued reduction of financial leverage

- In line with SAIL'22 capital allocation priorities (target: < 2.0x)
- NIBD reduced by DKK 3.7bn since year-end 2016
- NIBD/EBITDA down to 1.57x driven by:
  - Earnings growth
  - Working capital improvement
  - Disposals

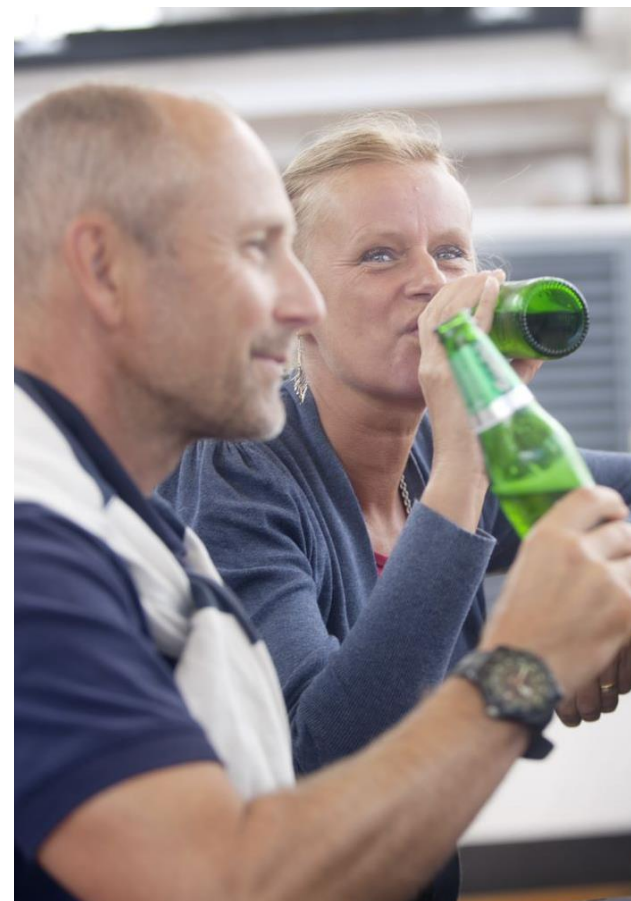
# 2017 outlook

## 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 +50m based on the spot rate on 14 August (previously DKK +300m)
- Financial expenses, excluding currency losses or gains and fair value adjustments, of around DKK 1bn (previously DKK 1.0-1.1bn)
- Effective tax rate just below 30%.
- Capital expenditures of approximately DKK 4bn



# REGIONAL PERFORMANCE

# Western Europe

- Organic growth in net revenue of 2%
  - Price/mix +1%
  - Volume +1%
- Operating profit up organically 14%
  - Price/mix improvements from value management
  - Funding the Journey benefits, including OCM, reducing operating expenses
- +160bp improvement in operating margin

HI m.hl / DKKbn	2016	Org.	Acq. Net	FX	2017
Beer volume	24.2	0%	0%		24.1
Other bev. volume	7.9	+4%	-5%		7.8
Total bev. volume	32.1	+1%	-2%		31.9
Net revenue	18.8	+2%	-2%	-1%	18.5
Operating profit	2.0	+14%	0%	0%	2.3
Operating margin	10.9%				12.5%



# Western Europe

## - market comments

### THE NORDICS

- Volume growth of 1%
- Good performance of premium propositions
- Price/mix strengthened
- Solid growth of non-beer business in Norway, Sweden and Finland

### FRANCE

- Volume growth of 5%
- Strong growth of 1664, Grimbergen and SKØLL
- Market share up
- Price/mix strengthened in very competitive pricing environment

### POLAND

- Volume growth of 7%
- Growth of brands in upper mainstream and premium segments

**OPERATING  
MARGIN  
+160bp**

### UK

- Several initiatives supporting new, more premium strategy:
  - Addition of Brooklyn
  - Rejuvenation of Carlsberg Export
  - Acquisition of London Fields Brewery

### OTHER MARKETS

- Growth of craft & speciality and alcohol-free beer offerings ahead of the Swiss market.
- Top-line growth and margin expansions in Portugal, Italy and Bulgaria

# Eastern Europe

- Organic decline in net revenue of 1%
  - Price/mix +8%
  - Volume -9%
- Operating profit up organically 17%
  - GPaL growth
  - Funding the Journey benefits
- +320bp improvement in operating margin

HI m.hl / DKKbn	2016	Org.	Acq. Net	FX	2017
Beer volume	15.9	-9%	0%		14.5
Other bev. volume	1.0	-4%	0%		1.0
Total bev. volume	16.9	-9%	0%		15.5
Net revenue	4.7	-1%	0%	+17%	5.5
Operating profit	0.8	+17%	-1%	+23%	1.0
Operating margin	15.9%				19.1%



# Eastern Europe

## - market comments

### RUSSIA

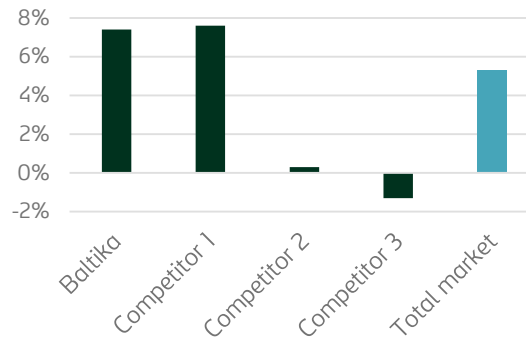
- Estimated 5% market decline
- Strong price/mix improvement from price increases and PET downsizing
- Good growth in DIOT channel
- Market share loss due to value focus in downsized PET

### UKRAINE

- Market share gains driven by Lvivske, Carlsberg and Garage
- Continued strong financial performance

**OPERATING MARGIN +320bp**

Russia: Weighted average price growth (YTD)



Source: Nielsen Retail Audit, June 2017



# Asia

- Organic growth in net revenue of 6%
  - Price/mix +5%
  - Volumes flat
- Operating profit up organically 12%
  - Gross margin improvement from value price/mix and supply chain savings
  - Good operating cost management
- +200bp improvement in operating margin

HI m.hl / DKKbn	2016	Org.	Acq. Net	FX	2017
Beer volume	19.0	-1%	-4%		18.1
Other bev. volume	2.0	+12%	-16%		1.9
Total bev. volume	21.0	0%	-5%		20.0
Net revenue	7.9	+6%	-5%	0%	7.7
Operating profit	1.3	+12%	0%	+1%	1.5
Operating margin	17.4%				19.4%





# Asia

## - market comments

### CHINA

- Market share gains driven by premium portfolio
- Tuborg growth of 10%
- 8% revenue growth, driven by +5% price/mix and +3% volume
- Operating margin improvement of approx. 400bp

### INDIA

- Recovery in Q2 with double-digit volume growth
- Market share gains driven by Tuborg
- Volatile H2 expected

### Indochina

- Strong performance in Laos and Myanmar
- Reversal of volume trend in Vietnam after a strong Q1
- Market share loss in Cambodia

**OPERATING  
MARGIN  
+200bp**

### OTHER MARKETS

- Good financial performance in Malaysia and Singapore with 1664 Blanc and Somersby being key drivers



# Concluding remarks

## - on-track to deliver on 2017 priorities

### 2017 PRIORITIES

- Funding the journey execution
- SAIL'22 implementation
- Delivery on regional priorities



### SAIL'22 FINANCIAL PRIORITIES

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

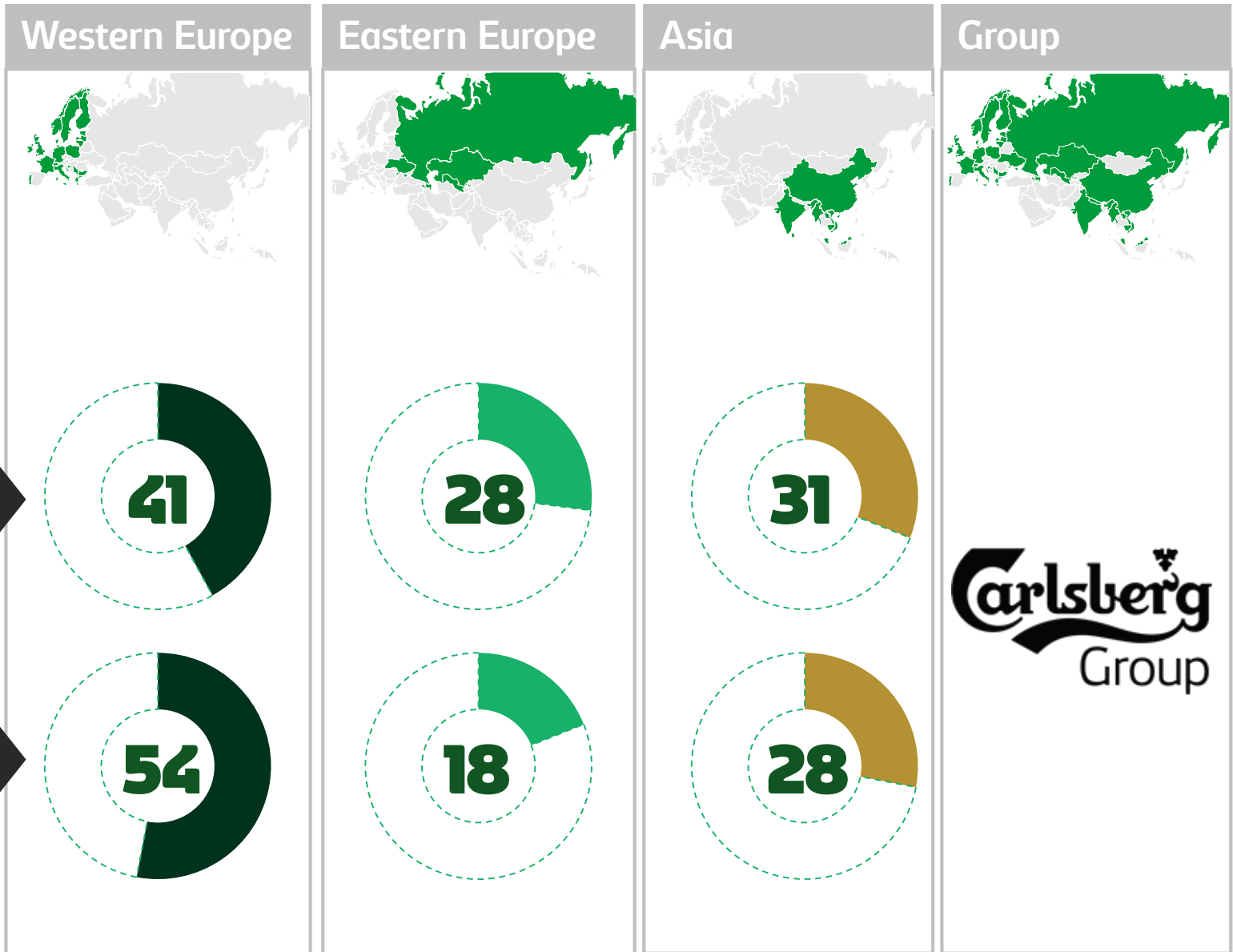


2017 organic operating profit outlook maintained



# Q&A

# Three regions



# Financial calendar

## FINANCIAL CALENDAR 2017

Capital Markets Day

12 October

Trading statement for Q3

2 November

# Disclaimer

## FORWARD-LOOKING STATEMENTS

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