



# 2018 FINANCIAL STATEMENT



6 February 2019

# A strong set of numbers

## **GROWING TOP- AND BOTTOM-LINE**

Net revenue +6.5%\*

Operating profit +11.0%\*

## **DELIVERING STRONG CASH FLOW**

Free cash flow of DKK 6.2bn

## **REDUCING LEVERAGE**

Net debt/EBITDA 1.29x

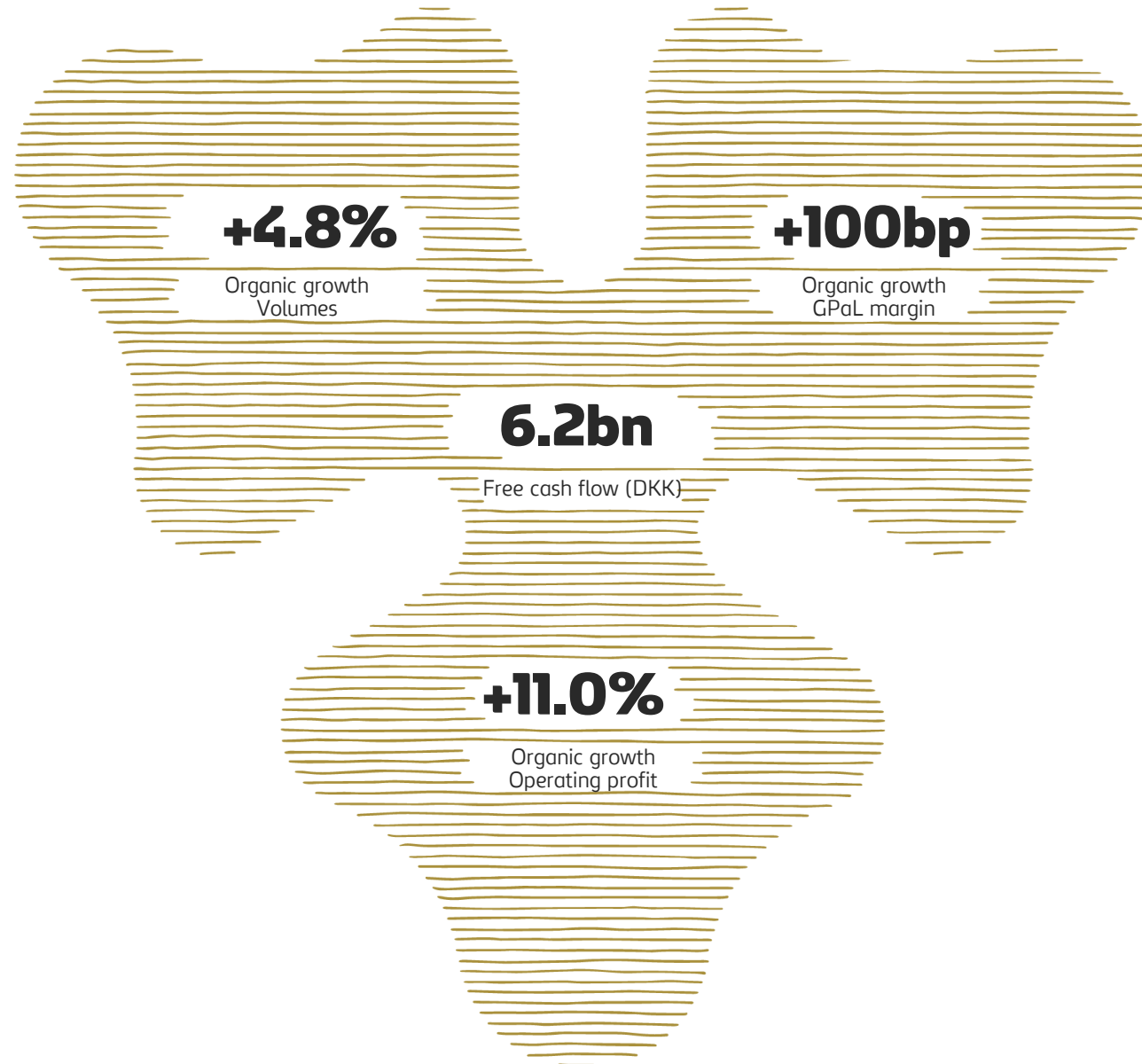
## **INCREASING CASH RETURNS**

Dividend +13%

Share buy-back of DKK 4.5bn

\* Organic numbers

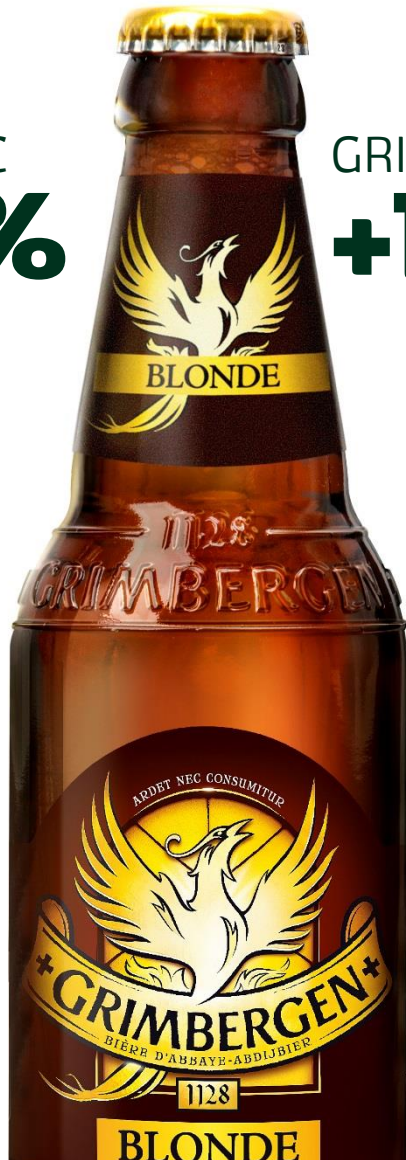
# Well-balanced Golden Triangle



# Continued growth of key brands and categories



1664 BLANC  
**+49%**



GRIMBERGEN  
**+14%**



TUBORG  
**+10%**



CARLSBERG  
**+5%**

# Good progress on our strategic priorities



CRAFT & SPECIALITY

**+26%**



ALCHOL-FREE BREWS  
IN WESTERN EUROPE

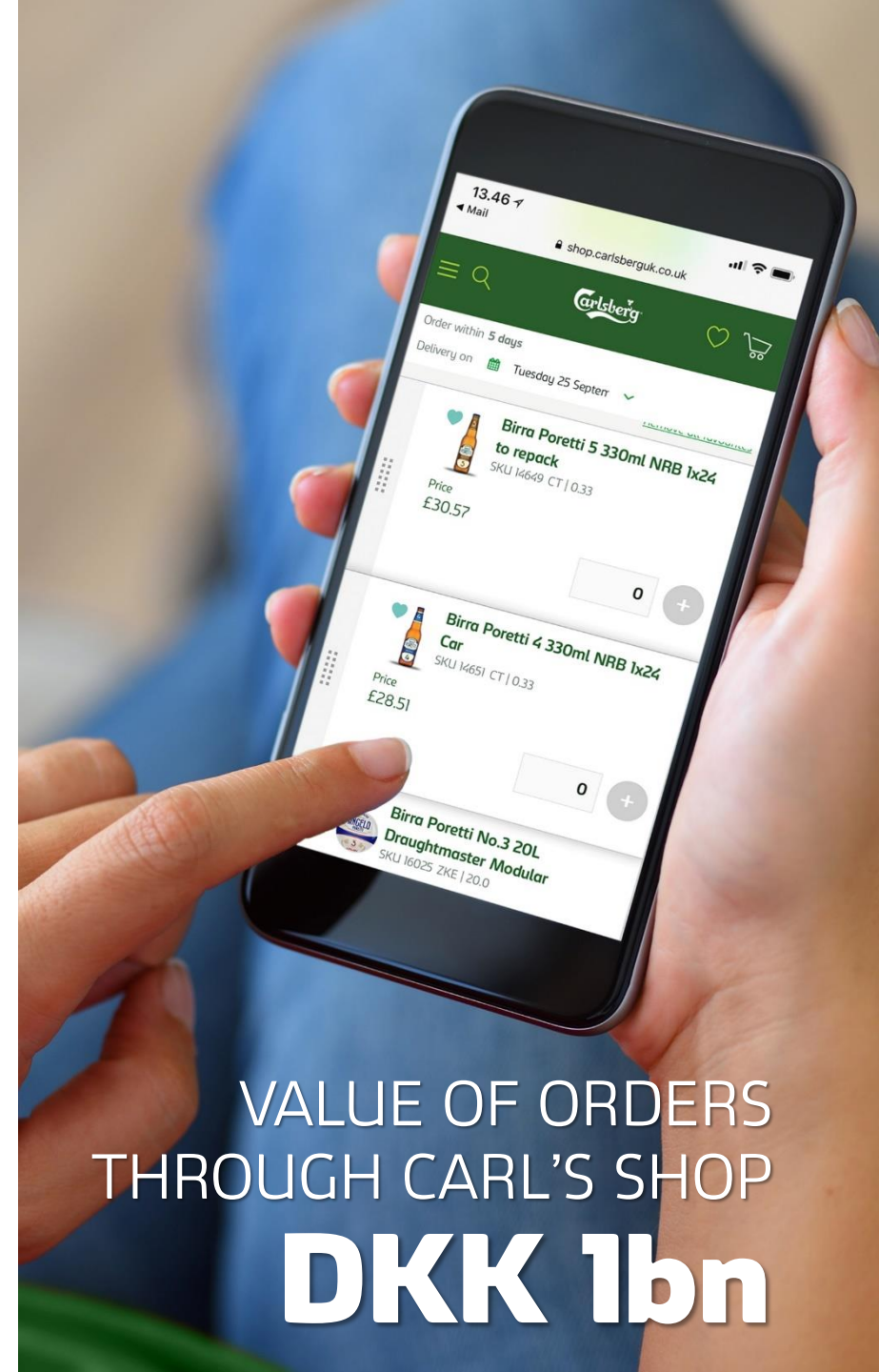
**+33%**



**DRAUGHTMASTER**  
FRESH PRESSED BEER

DRAUGHTMASTER  
INSTALLATIONS

**+35%**



VALUE OF ORDERS  
THROUGH CARL'S SHOP

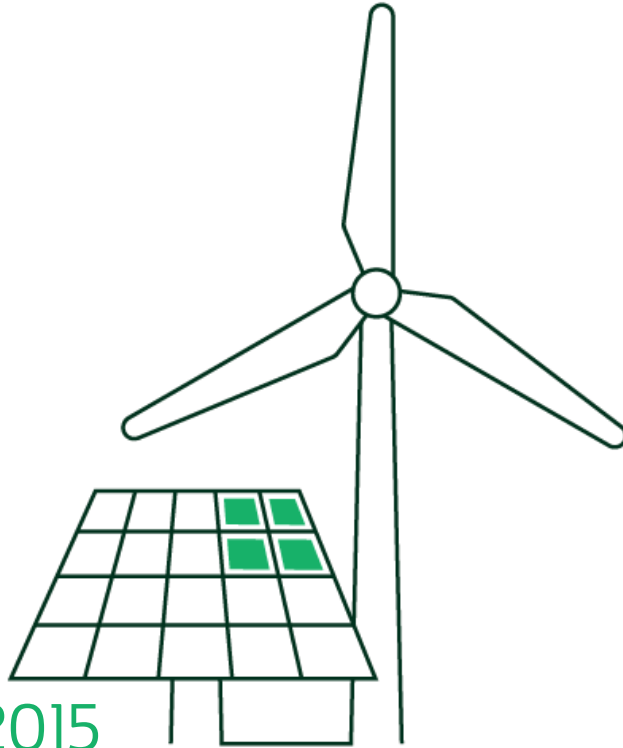
**DKK 1bn**

# Progress towards ZERO



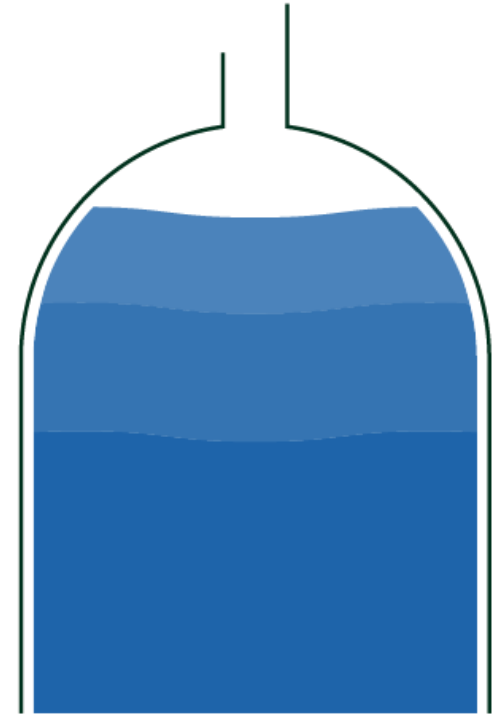
**20%**

REDUCTION IN  
RELATIVE CARBON  
EMISSIONS SINCE 2015



**9%**

IMPROVEMENT IN  
WATER EFFICIENCY  
SINCE 2015 BASELINE



# Income statement (1)

## NET REVENUE

- DKK 62,503m
- Organic growth of 6.5%
- Price/mix +2%

## GROSS MARGIN

- Improvement of 20bp to 50.0%
  - Solid price/mix
  - Efficiency improvements

## OPEX

- Organic increase of 4%
  - Impacted by higher marketing expenses from 7.8% to 8.6% of net revenue
- Positive impact from Funding the Journey

## OPERATING PROFIT

- DKK 9,329m
- Organic growth of 11.0%
- Reported growth of 5.1%, impacted by FX of DKK -500m

# Income statement (2)

## NET SPECIAL ITEMS

- DKK -88m
- Mainly impacted by Funding the Journey measures in Western Europe

## NET FINANCIALS

- DKK -722m (2017: DKK -788m)
- Excluding currency gains and losses DKK -758m (2017: DKK -980m)

## TAX

- DKK -2,386m, equivalent to an effective tax rate 28%

## NON-CONTROLLING INTERESTS

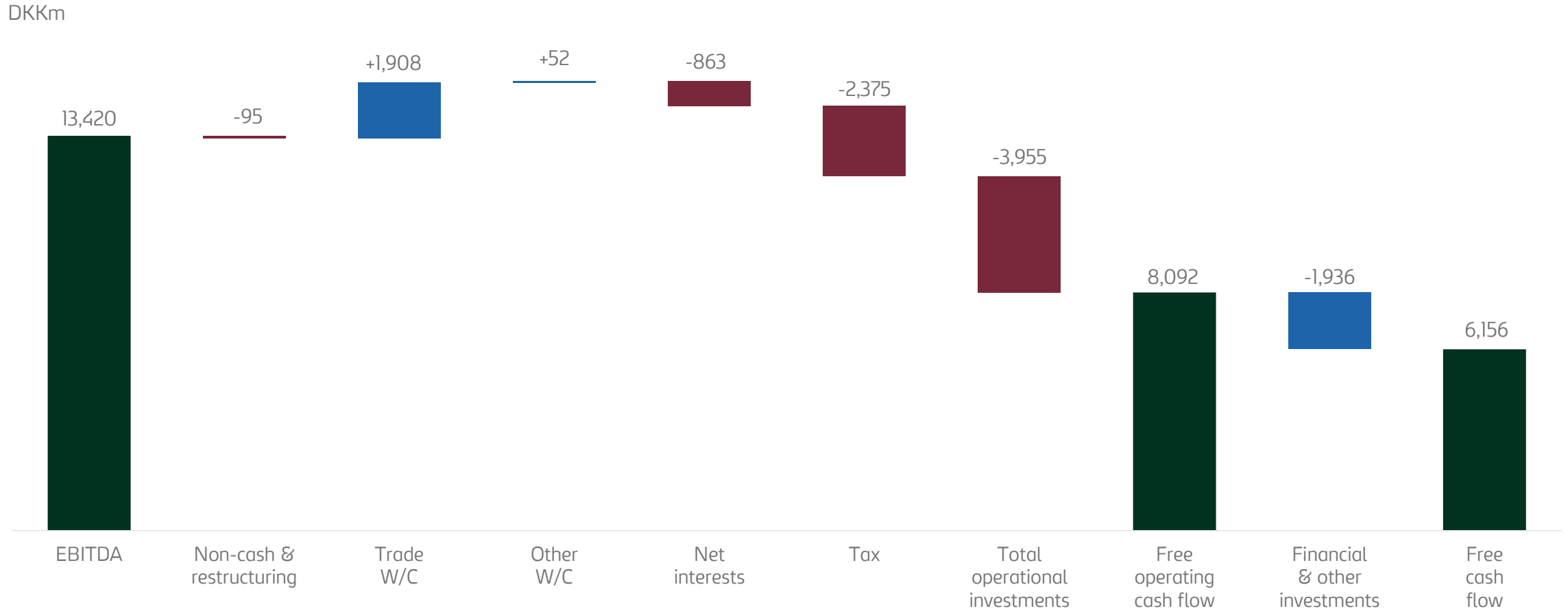
- DKK 824m (2017: DKK 806m)

## NET PROFIT

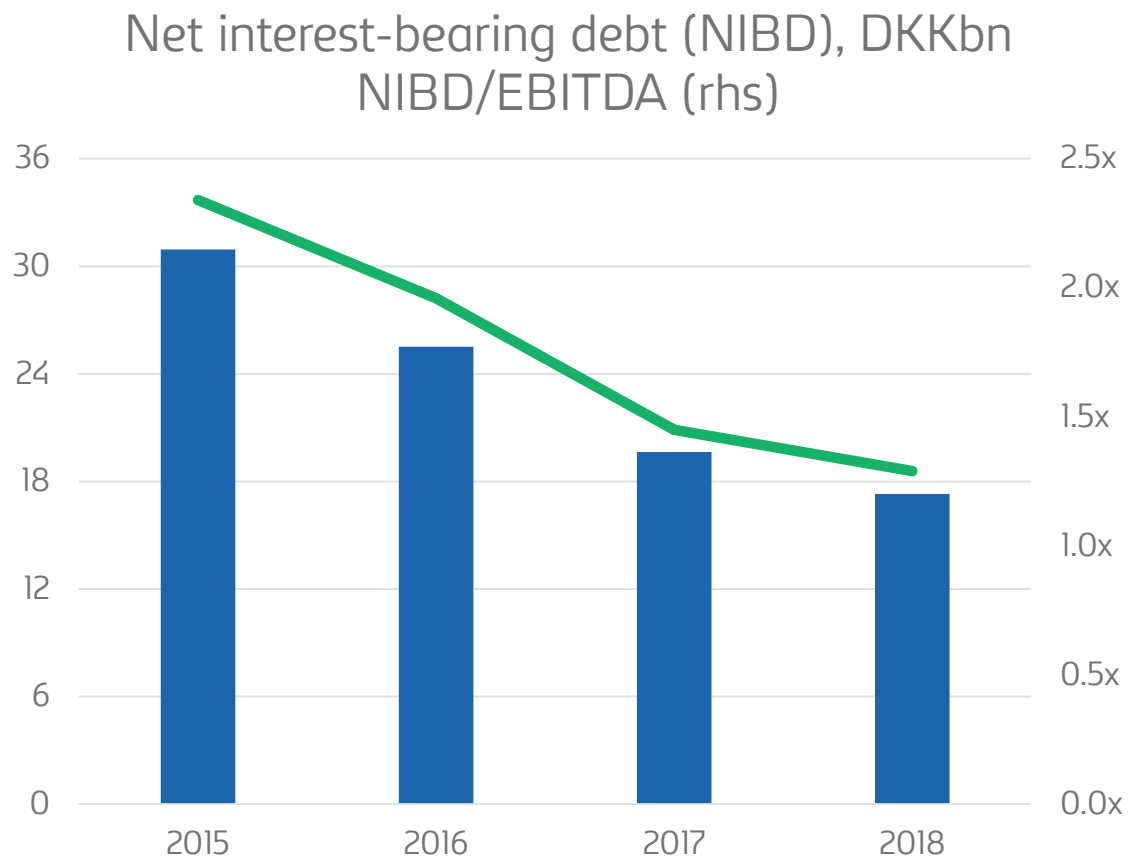
- Reported DKK 5,309m (2017: DKK 1,259m)
- Adjusted EPS DKK 35.2 (+9%)



# Strong cash flow



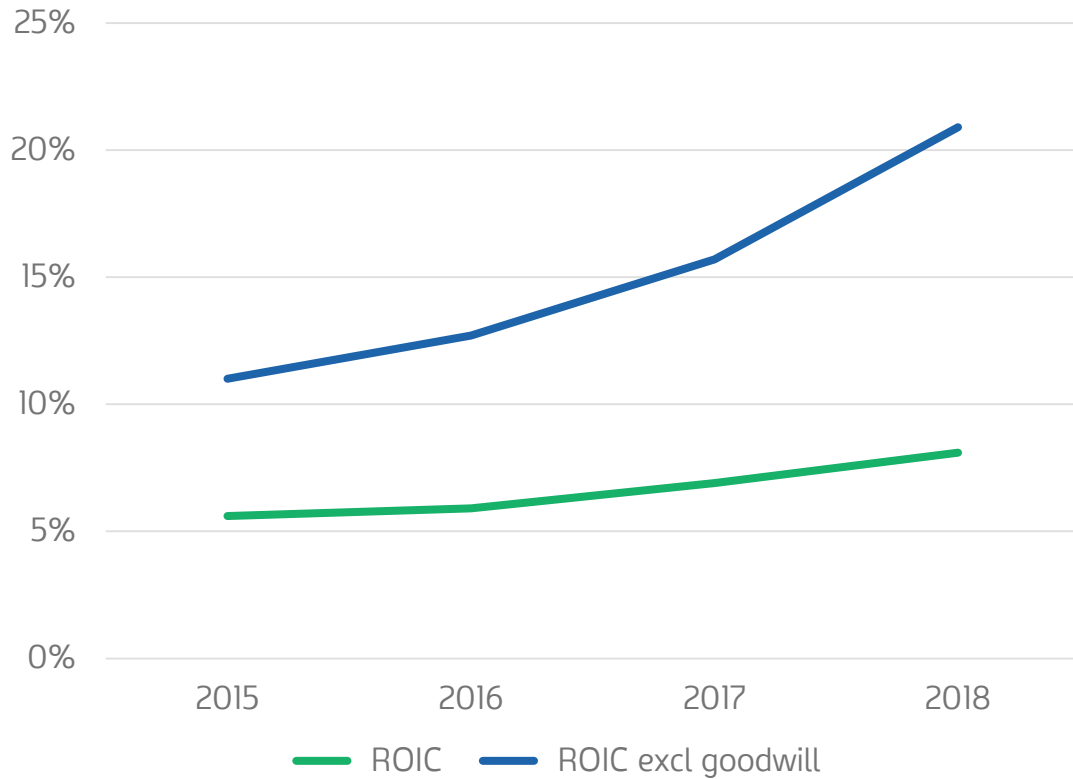
# Significant net interest-bearing debt reduction; further acquisitions carried out



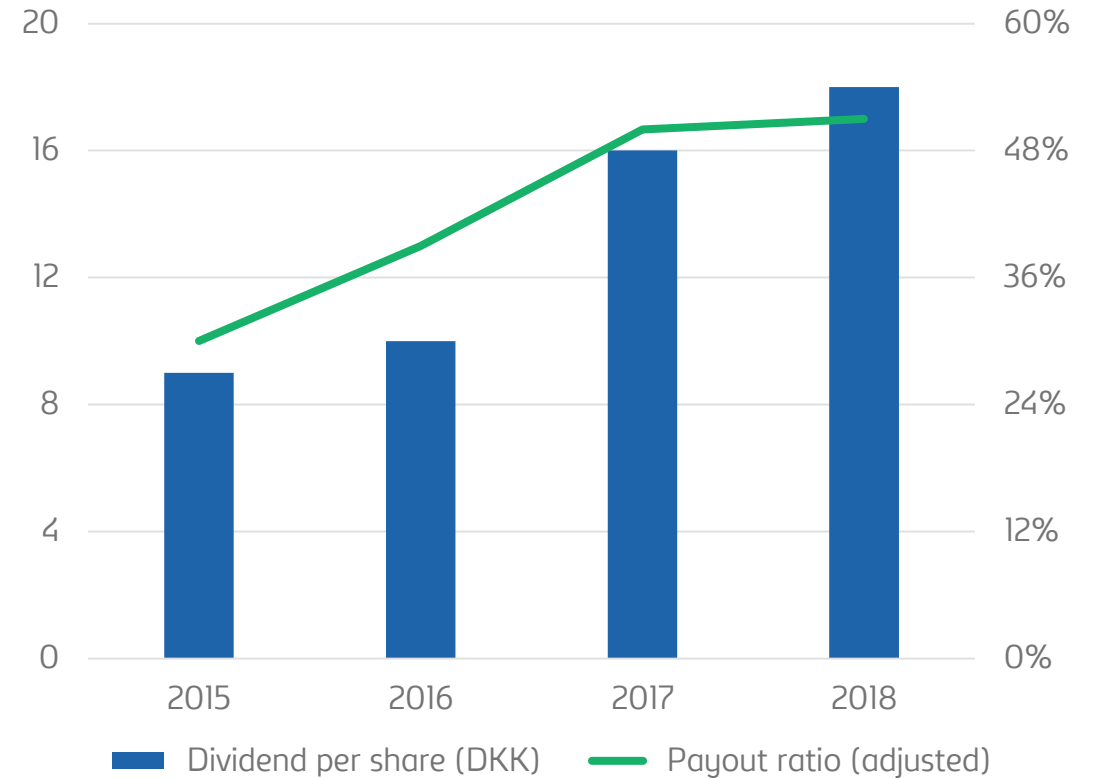
- Further reduction of net interest-bearing debt
  - DKK 17.3bn
  - Net debt/EBITDA 1.29x
- Acquisitions in 2018
  - 25% of Cambrew in Cambodia, increasing ownership share to 75%
  - 28.5% of the shares in Viacer, the controlling shareholder of Super Bock Group in Portugal, increasing Carlsberg's direct and indirect ownership of Super Bock Group to 60%
  - 49% of Olympic Brewery in Greece, increasing ownership share to 100%
  - 10.5% of Brewery Alivaria in Belarus, increasing ownership share to 78%

# Increasing return on invested capital and dividend per share

Return on invested capital



Dividend and payout



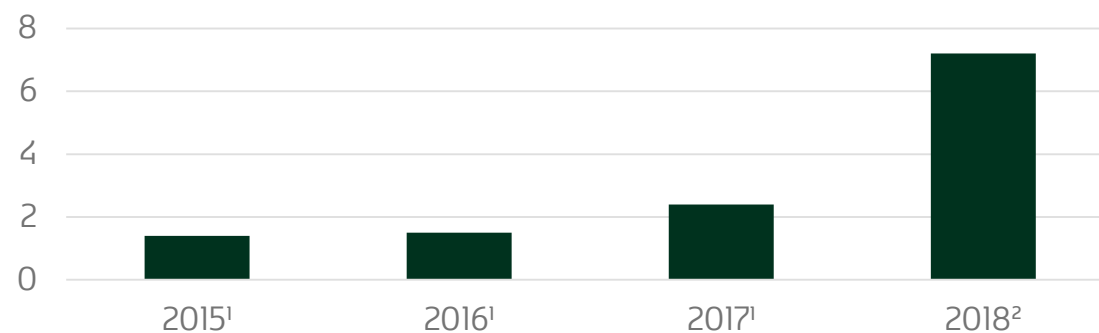
# Share buy-back programme initiated

- Recent years' healthy development of business
  - Steady organic growth in operating profit and margin expansion
  - Solid and continuous improvement of ROIC
  - Strong cash flow and reduced leverage
- Today's initiation of share buy-back programme
  - DKK 4.5bn during the next 12 months
  - Split into two tranches of approx. six months each
  - First tranche of DKK 2.5bn with a maximum of 15m shares
- Programme to be carried out according to Safe Harbour Regulation
- The Carlsberg Foundation will participate pro rata

## CAPITAL ALLOCATION PRINCIPLES

1. Invest in to our business to drive long-term value creation
2. NIBD/EBITDA < 2.0x
3. Dividend pay-out ratio of around 50%
4. Excess cash to be redistributed through buy-backs and/or extraordinary dividends
5. Deviating from the above only if value-enhancing acquisition opportunities arise

Cash returns to shareholders for the year (DKKbn)



<sup>1</sup> Paid dividends

<sup>2</sup> Proposed dividends and announced share buy-back

# 2019 outlook



- Continued focus on driving organic revenue growth while maintaining tight cost control and strict cash discipline
- **Mid-single-digit percentage organic growth in operating profit**

## Assumptions

- A DKK translation impact on operating profit of around zero, based on the spot rates as at 5 February
- Net finance costs (excluding FX) of DKK 700-750m
- Effective tax rate below 28%
- Capital expenditures of around DKK 4.5bn at constant currencies

# Western Europe

- 3.0% organic net revenue
  - Price/mix -1% due to country mix; positive price/mix across majority of markets due to premiumisation and price increases
  - Organic volume +3.6%
- Operating profit up organically by 7.0%
  - Volume growth
  - Premiumisation and value management
  - Funding the Journey benefits and lower depreciation
- +60bp improvement in operating margin

m.hl / DKKm	2017	Organic	Acquisition, net	FX	2018
Total volumes	60.6	+3.6%	-0.6%	-	62.4
Net revenue	35,716	+3.0%	-0.7%	-1.1%	36,151
Operating profit	5,144	+7.0%	+0.2%	-1.7%	5,425
Operating margin	14.4%				15.0%



# Western Europe

## - market comments



### THE NORDICS

- Volume growth of 6%
- Price/mix impacted by non-beer products
- Markets positively impacted by warm weather
- Good growth of craft & speciality and alcohol-free brews

### FRANCE

- 5% volume growth in a growing market
- Positive price/mix
- Growth of premium, craft & speciality and AFB, while mainstream Kronenbourg brand declined

### SWITZERLAND

- Growth of power brand Feldschlösschen, regional brands and alcohol-free brews
- Positive price/mix

### POLAND

- Strong recovery during summer
- Strong price/mix
- Growth of upper-mainstream and premium brands

### UK

- Strong growth of premium brands
- Declining mainstream segment
- Exit of portering business now completed

### OTHER MARKETS

- Strong performance in the Balkans and the Baltics
- Growth of local power brands in Germany
- Mixed performance in export & licence markets

# Asia

- 13.3% organic net revenue
  - Price/mix +4%
  - Organic volumes +8.6% driven by all major markets
- Operating profit up organically by 15.8%
  - Revenue growth
  - Significant increase in marketing investments
- 40bp decline in operating margin due to significant SAIL'22 investments and the consolidation of Cambrew

m.hl / DKKm	2017	Organic	Acquisition, net	FX	2018
Total volumes	34.0	+8.6%	+3.1%	-	38.0
Net revenue	13,944	+13.3%	+2.7%	-4.6%	15,530
Operating profit	2,905	+15.8%	-1.3%	-5.6%	3,164
Operating margin	20.8%				20.4%





# Asia

## - market comments



### CHINA

- 15% organic net revenue growth:
  - price/mix +7%
  - volume growth +8%
- Premium portfolio growth of +13%

### INDIA

- 19% volume growth
- Price/mix +7%, supported by good growth of the Carlsberg brand and price increases

### LAOS

- High-single-digit volume growth
- Beerlao strengthening its position
- Price/mix negatively impacted by product mix

### MALAYSIA

- Share gains, especially in premium category
- Double-digit growth of Carlsberg Smooth Draught

### NEPAL

- Strong performance
- 30% excise tax increase at the end of H1, leading to retail price increases of c. 15%

### OTHER MARKETS

- Ownership of Cambrew increased to 75%; business being rebuild
- Volume decline in Vietnam; growth of the Carlsberg brand

# Eastern Europe

- Organic growth in net revenue of 9.3%
  - Price/mix +6%, mainly driven by price in Russia; both price and mix in the other markets
  - Volume growth +3.1%, positive in all markets
- Operating profit up organically 11.3%
  - Volume growth
  - Price/mix improvement
  - Tight cost control
- +30bp improvement in operating margin

m.hl / DKKm	2017	Organic	Acquisition, net	FX	2018
Total volumes	31.7	+3.1%	0.0%	-	32.7
Net revenue	10,925	+9.3%	0.0%	-10.6%	10,780
Operating profit	2,220	+11.3%	0.0%	-11.2%	2,222
Operating margin	20.3%				20.6%



# Eastern Europe - market comments



## RUSSIA

- Estimated 3% market growth, driven by warm weather and football world cup
- Volume growth of 2%
- Price/mix +2% due to improved pricing

## UKRAINE

- Slight market growth, supported by weather
- Mid-single-digit volume growth
- Strong price/mix driven by premium portfolio

## OTHER MARKETS

- Solid performance in Belarus, Kazakhstan and Azerbaijan

# Concluding remarks – delivery on 2018 and SAIL'22 priorities

## 2018 PRIORITIES

- ✓ Strengthen the focus on revenue growth
- ✓ Deliver the remaining Funding the Journey benefits
- ✓ Maintain strict cash discipline

## SAIL'22 FINANCIAL PRIORITIES

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



# Q&A



# Disclaimer

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