

# Carlsberg A/S

H1 2016 interim results



# Agenda

H1 highlights

Financial results

Region performance

Appendix



# Good H1 performance

**+140bp**

Organic GPaL margin  
improvement

**-1%**

Organic decline in  
pro rata volumes

**+8%**

Organic growth in  
operating profit

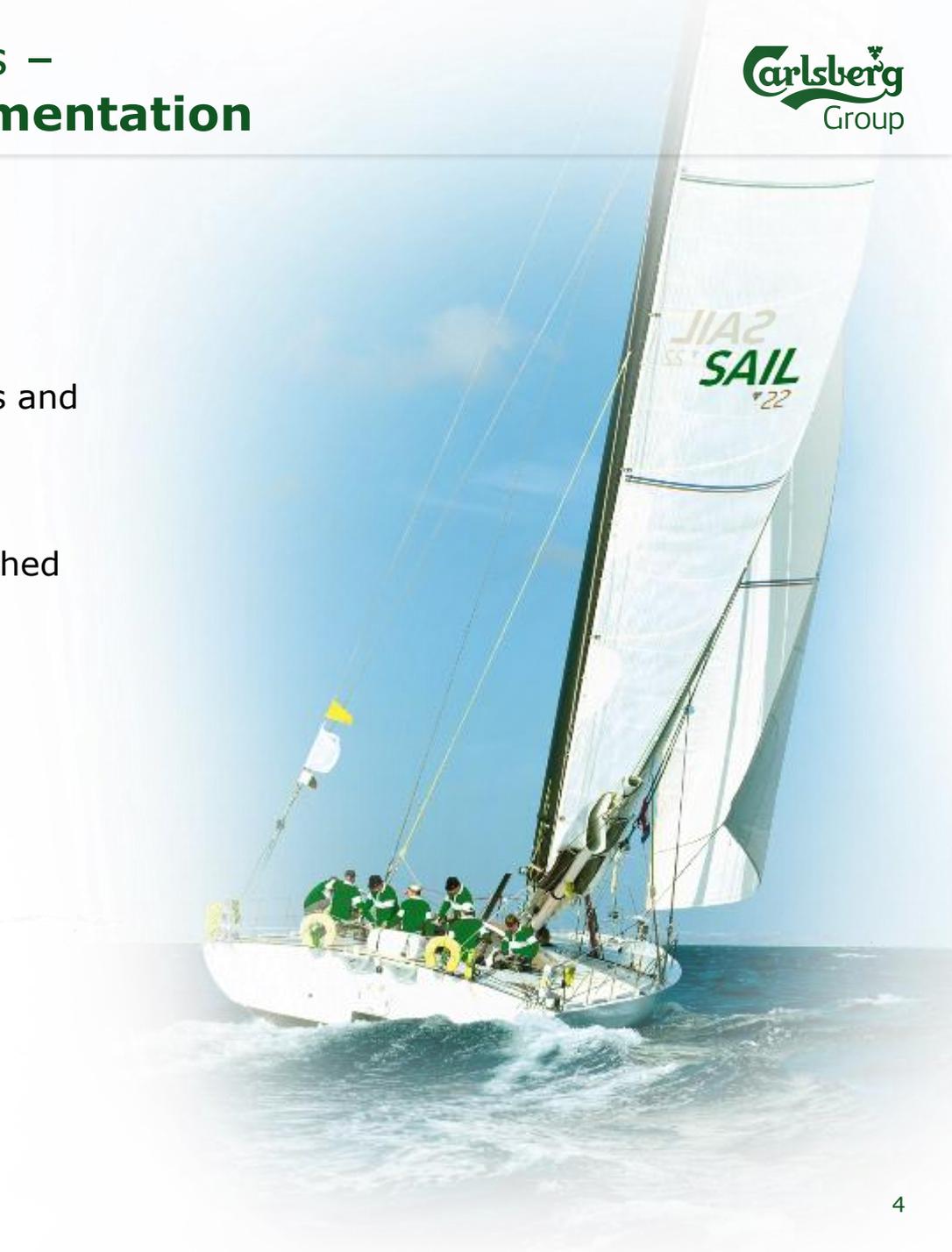
# Update on 2016 key priorities – **SAIL'22 launch and implementation**

## **Launched across the Group**

- Announced 16 March
- Shared with employees across markets and functions

## **Implementation has started**

- Work streams for each priority established
- Appointment of dedicated teams, eg.
  - Craft & speciality
  - Big cities
- SAIL'22 priorities and initiatives being operationalised and incorporated into
  - Current activities
  - Planning for 2017



# Update on 2016 key priorities – ***Funding the Journey*** progressing as expected

## Value management

- Improved price/mix an important driver of H1 results
- Progress towards striking a better balance between market share, GPaL margin and earnings.

## Supply chain efficiency

- Delivery on track; tight follow-up to ensure delivery of full-year target
- Good development in COGS and logistics
- SKU reduction continues
  - Reduction of 2,107 SKUs; target increased to 2,882 SKUs
  - Rolling out programme addressing inefficient SKUs

## Operating expense efficiency

- White-collar work force reduced by 2,080 people
- Total OCM savings target well ahead of target
- Completing the transfer of >200 roles to Genpact

## Right-sizing of businesses

- Russia: Mostly done in 2015; remaining actions on plan
- China: Total of 11 sites currently closed
- UK: Capacity reduction completed; change in logistic set-up announced
- Other: Several structural initiatives



# Update on 2016 key priorities – Regions

## Western Europe: Improve margin

- Value management focusing on price/mix and GPaL margin
- Operating profit margin improvement of 70bp

## Asia: Continue growth

- Organic net revenue growth of 4%
  - Strong price/mix
  - Despite market volume decline in China
- Healthy organic operating profit growth of 6%

## Eastern Europe: Mitigate earnings impact from currency and market decline

- Challenging markets and currency headwind
- Strong organic growth in operating profit of 19%



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**Financial results**

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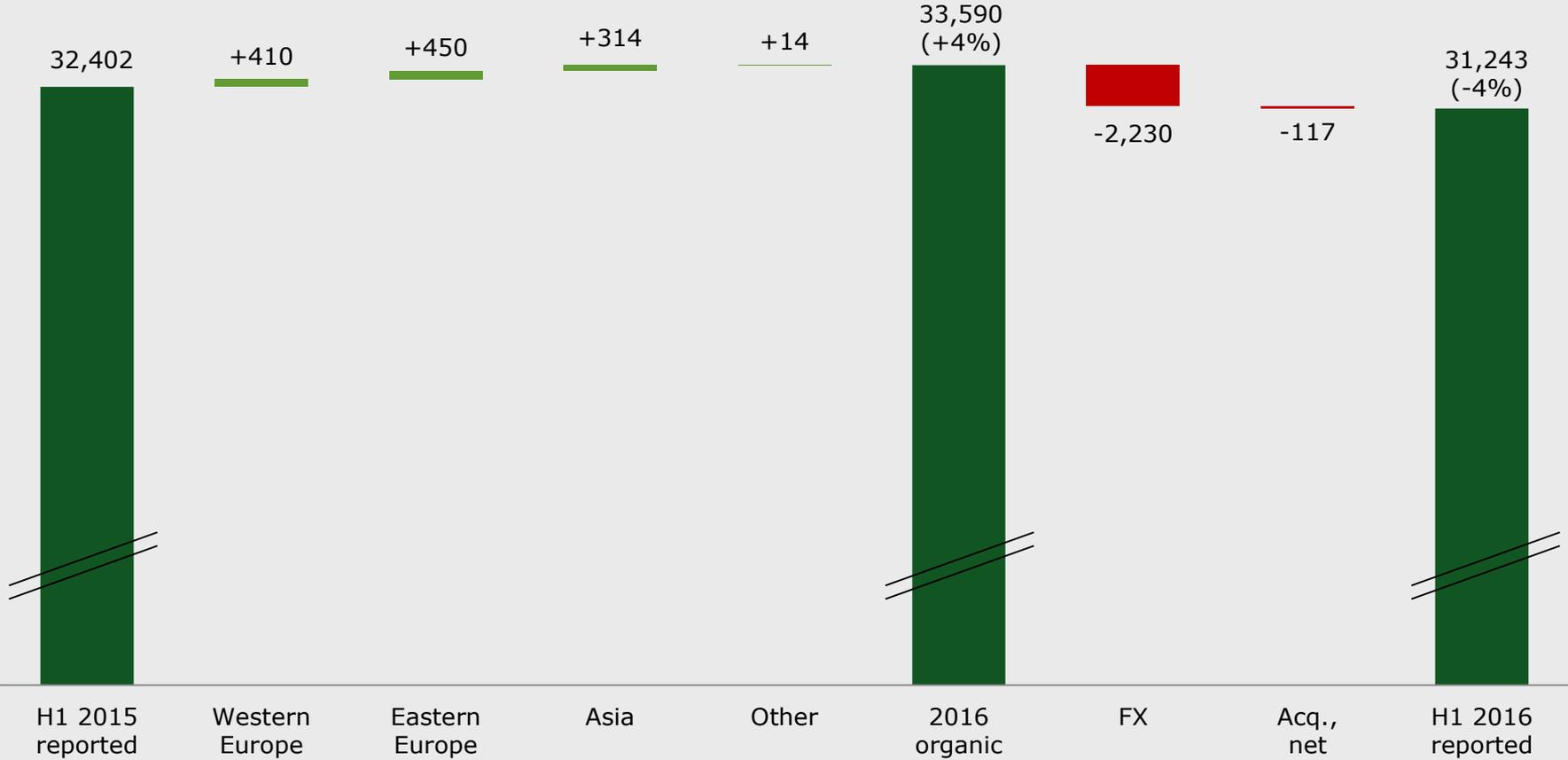
# H1 2016 financial highlights

- Organic net revenue growth +4%
- Price/mix of +5%
  - Positive mix impact in all regions
- Organic operating profit +8%
- Reported net profit +25%
- Free cash flow of DKK 5.2bn
- DKK 2.7bn net interest-bearing debt reduction
  - Net interest-bearing debt/EBITDA (RTM): 2.16x



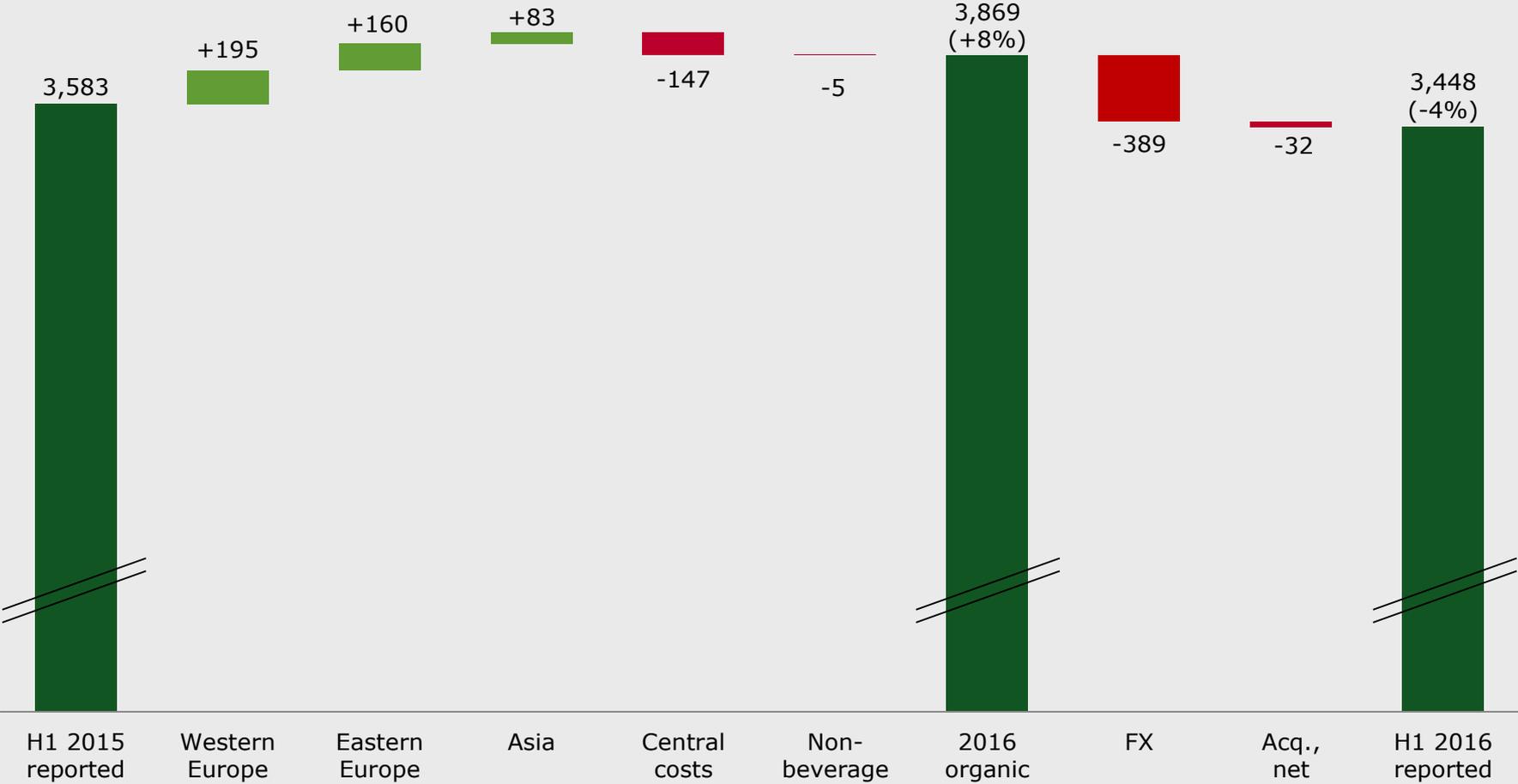
# Group net revenue

DKKm



# Group operating profit

DKKm



# Income statement – key points

Gross profit

**+5%**

Organically

Positive price/mix  
offsetting lower volumes  
and higher COGS/hl

Operating expenses

**up 3-4%**

Organically

Impacted by UEFA EURO  
2016 tournament

Special items

**DKK +406m**

Positively impacted by  
disposal of assets;  
Negatively by impair-  
ment and restructuring  
in UK, China and India

Net financials

**DKK -703m**

Interests:  
DKK -443m  
Other financial items:  
DKK -260m

Effective tax rate

**33%**

Impacted by one-off tax  
item related to a lost tax  
case in Finland

Net profit

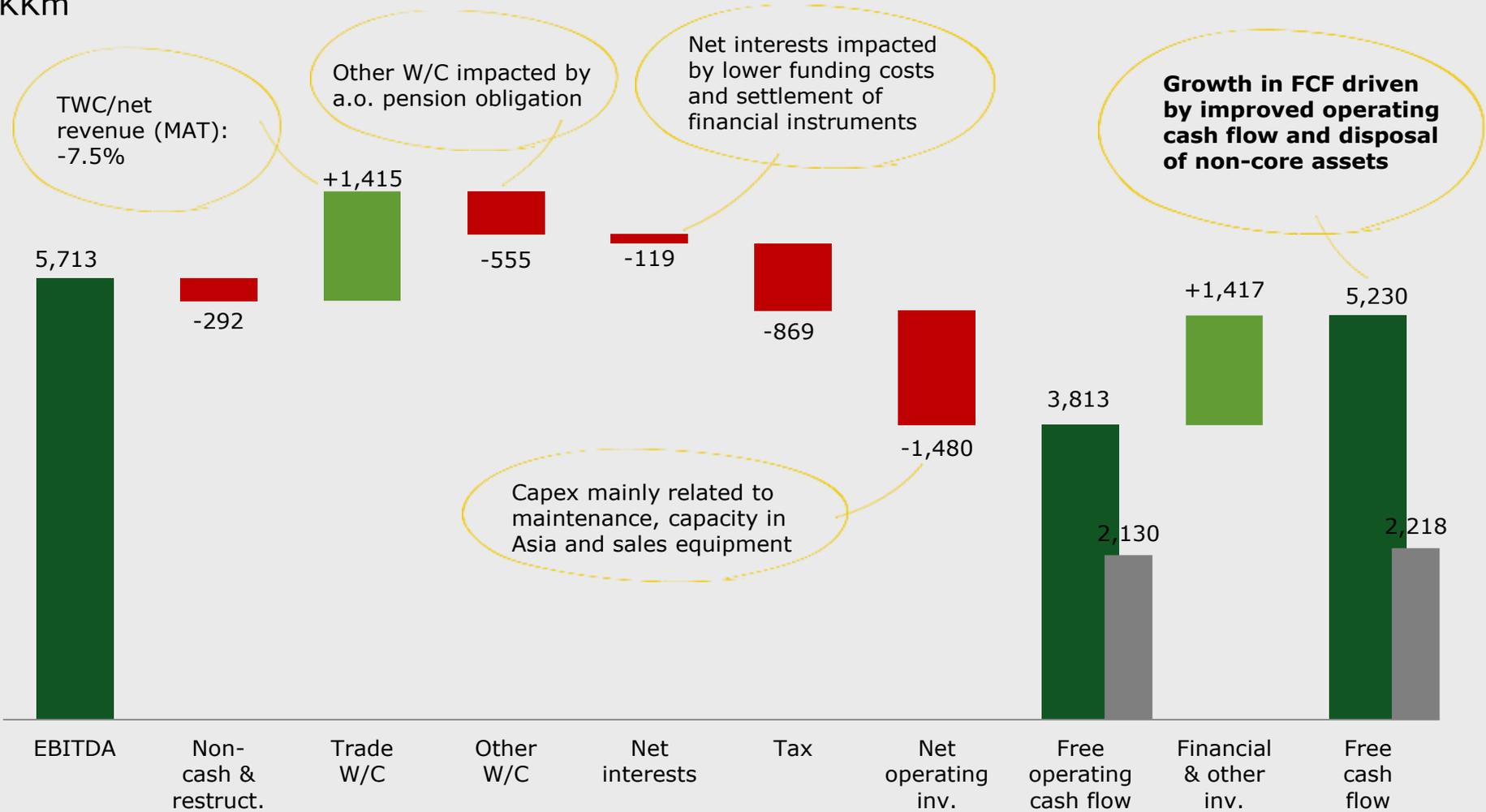
**DKK 1,867m**

EPS: DKK 12.2

# Cash flow

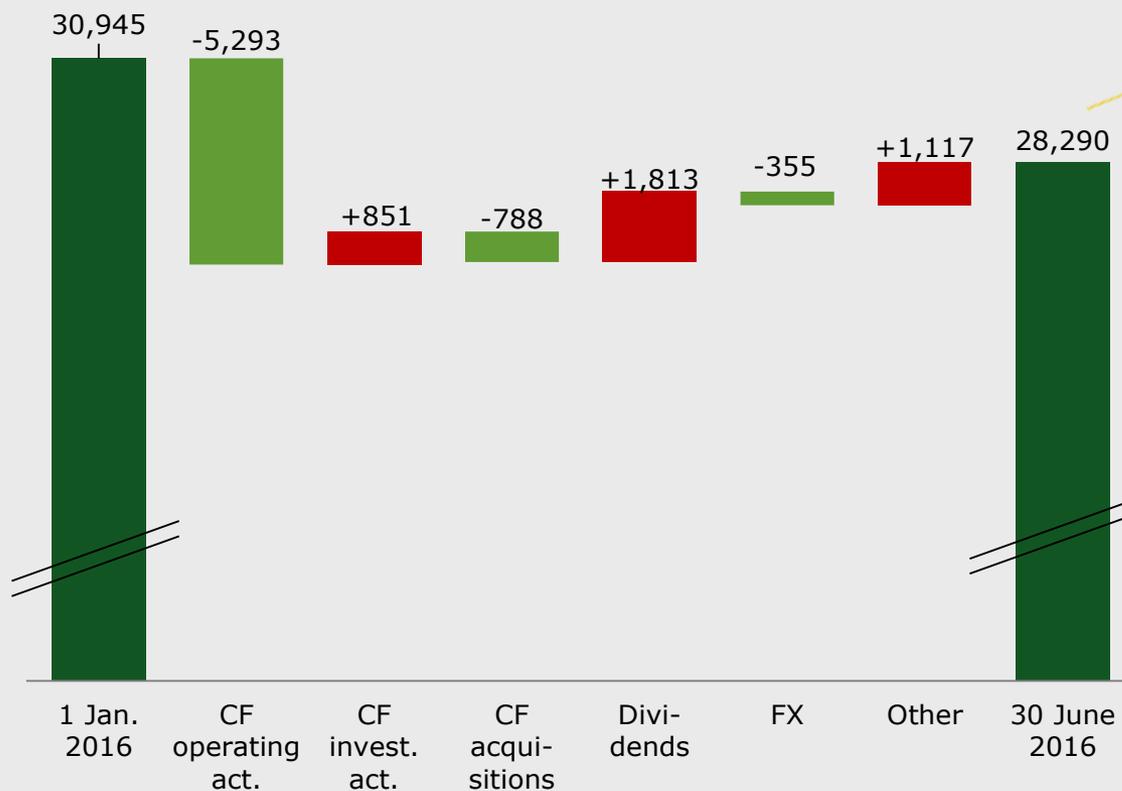
H1 2016  
DKKm

■ 2015



# Net interest-bearing debt

DKKm



As per 30 June 2016

- NIBD/EBITDA: 2.16x
- Long-term gross financial debt: 83%
- Net financial debt @ fixed rates: 87%
- GBP 300m bond with 7.25% coupon maturing 28-11-2016

## Invested capital & ROIC

- Decline in invested capital in particular impacted by
  - Currencies, mainly the Russian rouble
  - Russia: Impairment of brands
  - China: Impairment of brands and Eastern Assets
  
- ROIC (RTM) improvement of 110bp
  - Western Europe: mainly driven by higher operating profit
  - Eastern Europe: driven by lower capital employed
  - Asia: driven by higher operating profit and lower capital employed

Invested capital (period-end) DKKm	HI 2016	HI 2015
Western Europe	35,354	36,715
Eastern Europe	30,835	42,994
Asia	21,955	28,252
Group	88,508	110,446

ROIC incl. goodwill (rtm) %	HI 2016	HI 2015
Western Europe	15.0	14.6
Eastern Europe	5.8	4.9
Asia	11.5	9.6
Group	8.9	7.8

# 2016 outlook

## Key focus

- Executing *Funding the Journey*
- Beginning the implementation of SAIL'22
- Regional priorities

## 2016 financial expectations

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

## Revised assumptions

- A translation impact on operating profit of around DKK -600m based on spot rates as at 15 August (previously DKK -550m)
- Effective tax rate at 33% (previously 28%)



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H1 highlights

Financial results

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Appendix



# Western Europe

- ~2% market growth
- Market share decline
- 2% organic revenue growth
  - Solid price/mix of 3% driven by value management focus
  - Volume decline of 1% due to withdrawal from margin-dilutive contracts
- 9% organic operating profit growth
- 70bp operating margin improvement

m.HI / DKKbn	HI 2015	Org. Δ	Acq. net	FX	HI 2016
Beer volume	24.6	-2%	0%		24.2
Other bev. volume	7.7	3%	0%		7.9
Total bev. volume	32.3	-1%	0%		32.1
Net revenue	18.9	2%	0%	-2%	18.9
Operating profit	2.2	9%	0%	-3%	2.3
Operating margin	11.4%				12.1%



# Western Europe – Market comments

## The Nordics

- 3-4% market growth
- Volume growth in all markets excl. Finland
- Positive mix supported by good performance of specialty and craft portfolio

## France

- Market up ~3%
- Shipped volume +3%
- EURO2016
  - Strong Carlsberg and Tourtel performance
  - On-trade growth

## Poland

- Flat underlying volumes in a growing, but competitive market
- Good performance of Carlsberg, Harnas and Somersby brands

**ROIC**  
**15%**  
**(+40bp)**

## UK

- Value drive resulting in double-digit price/mix
- Product introductions in specialty/craft segment
- Intention to exit/ outsource portering business and secondary logistics



# Eastern Europe

- Beer markets impacted by challenging macro environment
- Flat organic beer volumes
- Solid 8% price/mix driven by price increases and easy comparable numbers in Q1 last year
- Earnings growth and margin improvement
  - 19% organic operating profit growth
  - 100bp operating margin improvement

m.HI / DKKbn	HI 2015	Org. Δ	Acq. net	FX	HI 2016
Beer volume	16.0	0%	0%		15.9
Other bev. volume	0.9	10%	0%		1.0
Total bev. volume	16.9	0%	0%		16.9
Net revenue	5.6	8%	0%	-23%	4.7
Operating profit	0.8	19%	0%	-29%	0.8
Operating margin	14.9%				15.9%



# Eastern Europe – Market comments

## Russia

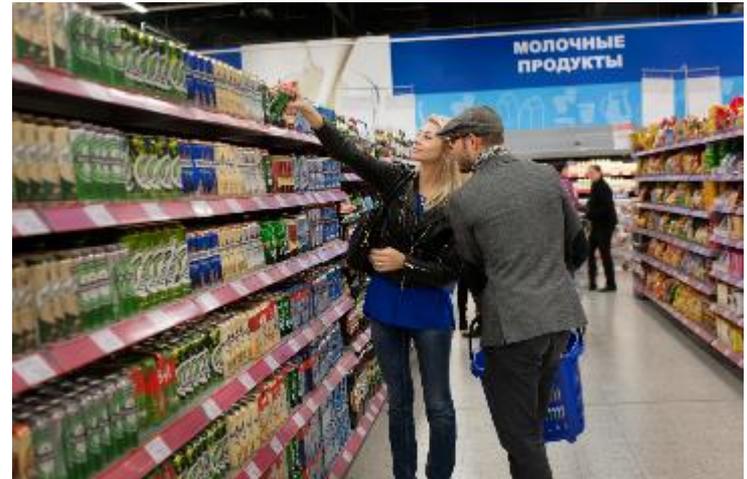
- Continued challenging macro environment and consumer sentiment result in market decline of ~2%
- Market share of 34.8%<sup>1</sup>, sequential improvement vs H2 2015
  - Good performance of Carlsberg, Baltika 0 & 9 and Zhigulevskoe
- Volumes declining by 2% helped by easy comps (destocking)
- Improved competitive commercial offering entering the peak season

# 17%

Eastern Europe share of Group operating profit in 2015

## Ukraine

- Difficult market dynamics due to recession and regulatory risks – market down ~6%
- Excise duty increase of 100% as per 1 January
- Positive market share performance
  - Strong performance of premium brands and new launches
- Solid margin improvements



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

- 3% organic volume decline impacted by brewery closures and market decline in China
- 4% organic revenue growth
- Solid 7% price/mix with strong mix improvement from premium category growth
- Continued earnings growth
  - +6% organic operating profit growth
  - Operating margin improvement of 60bp

m.HI / DKKbn	HI 2015	Org. Δ	Acq. net	FX	HI 2016
Beer volume	19.8	-4%	0%		19.0
Other bev. volume	1.9	2%	0%		2.0
Total bev. volume	21.7	-3%	0%		21.0
Net revenue	7.9	4%	-1%	-7%	7.6
Operating profit	1.3	6%	0	-6%	1.3
Operating margin	16.8%				17.4%



# Asia – Market comments

## China

- Market decline of an estimated 6%
- Volume decline of 8% 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

- Market growth of ~5% despite alcohol ban in Bihar
- Our volumes up 17%
- Estimated 16% market share



## Vietnam

- Market up ~8%
- Successful Tuborg launch

## Laos

- Beer volume growth
- Increased competition in soft drinks and water

**Tuborg**  
**+17%**

Growth in Asia

# Concluding remarks

## 2016 priorities

- Funding the Journey
- Implementation of SAIL'22
- Delivery on regional priorities



## SAIL'22 financial priorities

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



## 2016 organic operating profit outlook maintained



# Q&A



# Agenda

Preparing for the future

Financial results

Region performance

Appendix

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# Income statement

DKKm	H1 2015 Reported	Organic	Acq., net	FX	H1 2016 Reported
Net revenue	32,402	1,188	-117	-2,230	31,243
Gross profit	15,887	764	-43	-1,076	15,532
Operating expenses incl. brands marketing	-12,557	-446	14	699	-12,310
Other income, net.	272	-32	-2	-12	226
<b>Operating profit before special items (EBIT)</b>	<b>3,583</b>	<b>286</b>	<b>-32</b>	<b>-389</b>	<b>3,448</b>
- Brewing	3,643	291	-32	-389	3,513
- Other activities	-60	-5	-	-	-65
EBITDA	5,858	441	-42	-545	5,713

# Key figures – H1 2016

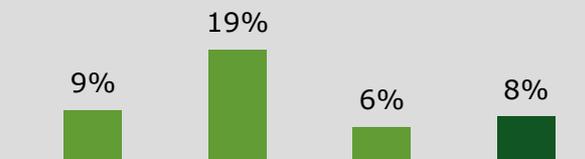
## Beer volume, pro rata Organic growth



## Net revenue Organic growth



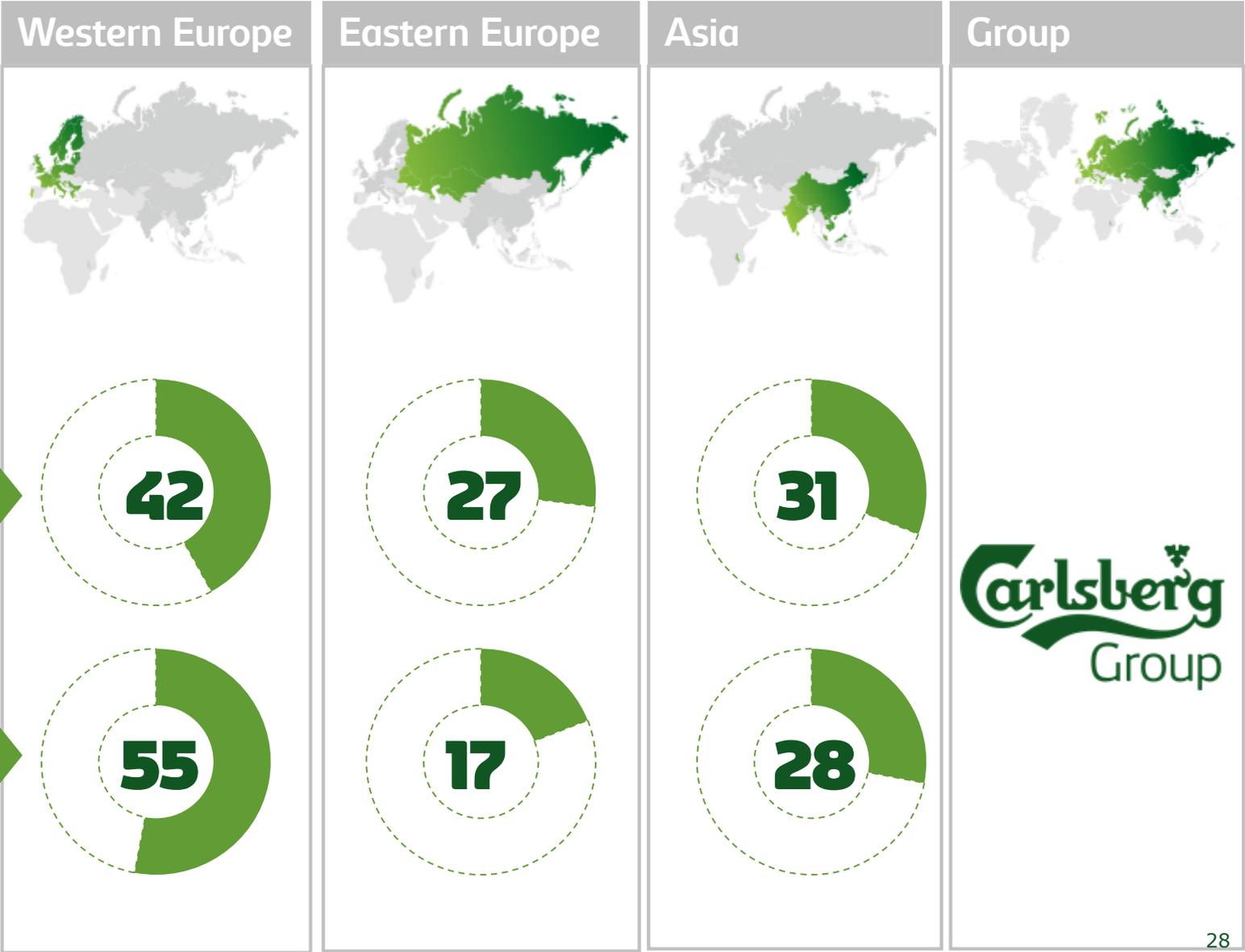
## Operating profit Organic growth



	Western Europe	Eastern Europe	Asia	Group	Western Europe	Eastern Europe	Asia	Group	Western Europe	Eastern Europe	Asia	Group
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Price/mix					+3%	+8%	+7%	+5%				
FX					-2%	-23%	-7%	-7%	-3%	-29%	-6%	-11%
Reported					+0%	-15%	-4%	-4%	+6%	-10%	0%	-4%

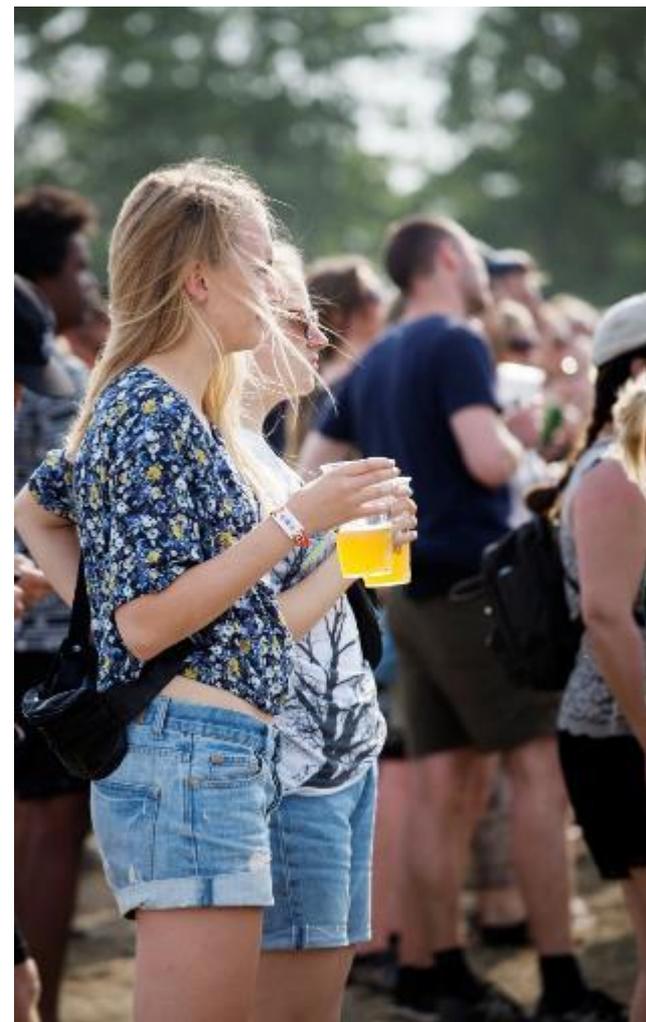
# Three regions



## Financial calendar 2016

Trading statement for Q3

9 November



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