

Company announcement 06/2017

2 November 2017

Page 1 of 6

## Q3 2017 TRADING STATEMENT

Upward adjustment of earnings outlook driven by solid progress of  
Funding the Journey

*Unless otherwise stated, comments in this announcement refer to Q3 performance.*

### HIGHLIGHTS

- Reported net revenue of DKK 16.7bn, an organic decline of 1% (9M: DKK 48.4bn, +1% organically).
- Price/mix of 3% (9M: +4%).
- Total volume -4% (9M: -3%).
  - Good growth in our international premium brands: Tuborg +5%, Carlsberg +1%, Grimbergen +7% and 1664 Blanc +42%.
  - Craft & speciality volume +34%, alcohol-free beer volume in Western Europe +14%.
- Funding the Journey progressing well and total net benefits now expected to be around DKK 2bn.

### 2017 EARNINGS EXPECTATION

- Organic operating profit growth of 7-8% (previously mid-single-digit percentage growth).
- Financial leverage reduction.
- Positive translation impact of around DKK 75m now expected (previously DKK +50m).

Commenting on the results, CEO Cees 't Hart says: "Funding the Journey is progressing very well and we feel confident about delivering benefits of around DKK 2bn. Consequently, we're able to adjust our earnings outlook upwards."

"In the third quarter, our premiumisation efforts continued to deliver a solid price/mix development, while volumes, as expected, were impacted by the PET downsizing in Russia, tough comparables in Eastern Europe and poor weather in Western Europe."

*Carlsberg will host a conference call for analysts and investors today at 9.00 am CET (8.00 am GMT). Dial-in information and slide deck are available beforehand on [www.carlsberggroup.com](http://www.carlsberggroup.com).*

### Contacts

Investor Relations: Peter Kondrup +45 3327 1221 Iben Steiness +45 3327 1232

Media Relations: Kasper Elbjørn +45 4179 1216 Anders Bering +45 4179 1217

*For more news sign up at [www.carlsberggroup.com/subscribe](http://www.carlsberggroup.com/subscribe) or follow @CarlsbergGroup on Twitter.*

## THIRD QUARTER REVIEW

The Group delivered a solid 3% price/mix (9M: +4%), while organic net revenue declined by 1% (9M: +1%) due to an organic volume decline of -4% (9M: -3%). The volume decline was impacted by the PET downsizing in Russia, difficult comparables in Eastern Europe and poor weather in Western Europe.

In reported terms, total volumes declined by 6%, impacted by disposals of Carlsberg Malawi and Chinese breweries in 2016, and of Nordic Getränke in 2017. Reported net revenue was DKK 16.7bn (-5%), impacted by -3% from divestments and a currency impact of -1%.

Tuborg volumes grew by 5%, with strong growth achieved in China in addition to continued positive results from the launch last year in Vietnam and Laos. The Carlsberg brand grew by 1%, reflecting positive growth rates in markets such as Poland, China and export markets, offset by a difficult market situation in India and decline of Carlsberg green label in the UK. Grimbergen and 1664 Blanc delivered volume growth of 7% and 42% respectively as a result of our focus on craft & speciality. In total, craft & speciality grew by 34% for the quarter. Our alcohol-free brews are gaining momentum and delivered 14% volume growth in Western Europe.

### Western Europe

Our Western European business was impacted by the poor weather during the summer. Net revenue declined organically by 4% (9M: flat) as a result of a flat price/mix (9M: +1%) and a total organic volume decline of 4% (9M: -1%). Reported net revenue declined by 8% due to -3% from net acquisitions and -1% from currencies.

Markets such as Bulgaria, Serbia and Italy achieved positive volume growth, while most other markets saw declining volumes due to the poor weather, which negatively impacted market development. Market share development for the region was largely unchanged compared with last year.

In most markets, price/mix was flat or positive. The flat regional price/mix was mainly due to negative country mix.

### Eastern Europe

Net revenue in Eastern Europe declined organically by 2% (9M: -1%). The very positive price/mix development continued and we delivered +10% (9M: +9%). Total volumes declined by 10% (9M: -9%). Reported net revenue declined by 1% (9M: +9%), as the currency impacted moderated compared with the very positive impact during H1.

Our volumes grew in Kazakhstan and Belarus, were flat in Ukraine and declined in Russia. The Russian market declined as a result of the PET restrictions, and we lost market share due to the continued price leadership of our products in the PET segment following our value-based approach to the PET downsizing. During the quarter, our market share started to strengthen. Brands such as Zatecky Gus and Baltika 3 achieved high-single-digit growth rates.

The strong price/mix for the quarter was the result of price increases, the effect of the introduction of smaller pack sizes in Russia following the PET restrictions, and market share loss in the lower-priced PET segment in Russia.

### Asia

The positive development in Asia continued. Net revenue grew organically by 7% (9M: +6%) as a result of a continued solid 5% price/mix (9M: +5%) and 2% total organic volume growth (9M: +1%). Reported

net revenue declined by 1% (9M: flat), negatively impacted by currencies and by last year's divestments, notably of Carlsberg Malawi in August 2016 and a number of breweries in China.

Our businesses in China, Malaysia, Nepal and Myanmar delivered solid volume growth. The Chinese growth of 6% was supported by sustained strong performance of our premium portfolio, including Tuborg, Carlsberg and 1664 Blanc. Our Indian volumes declined slightly, mainly due to the disruption caused by the so-called highway ban.

The solid price/mix improvement was mainly the result of our successful premiumisation efforts as we continue to distribute our international premium brands more widely.

### **Structural changes**

During 2017, the Group has continued the streamlining of its portfolio of businesses, concluding the following transactions:

- Disposal of our 100% shareholding in Carlsberg Uzbekistan.
- Disposal of our 23% shareholding in United Romanian Breweries.
- Disposal of our 30% shareholding in Russian malt producer MSSP.
- Disposal of our 100% shareholding in the German wholesale business Nordic Getränke.

### **Refinancing**

On 30 August, we placed 6-year EUR notes for a principal amount of EUR 500m with a coupon of 0.5%. The proceeds of the offering are being used for general corporate purposes, including repayment of the EUR 1bn bond on 13 October 2017.

## **EARNINGS EXPECTATIONS**

Funding the Journey is progressing well and is now expected to deliver around DKK 2bn in net benefits. In addition, as we see faster delivery of the benefits than previously expected, we are adjusting the full-year earnings expectations upwards:

- 7-8% organic growth in operating profit (previously mid-single-digit percentage organic).
- Financial leverage reduction.

Based on the spot rates as of 31 October, we now expect a positive translation impact of around DKK 75m, compared to our previous expectation of DKK 50m.

All other assumptions are unchanged.

## FINANCIAL CALENDAR

The financial year follows the calendar year, and the following schedule has been set for 2018:

7 February	Full-year 2017 results
12 February	Annual Report 2017
14 March	Annual General Meeting
1 May	Q1 trading statement
16 August	H1 interim financial statement
1 November	Q3 trading statement

Copenhagen, 2 November 2017

Executive Board of Carlsberg A/S

Cees 't Hart  
CEO

Heine Dalsgaard  
CFO

## VOLUME AND NET REVENUE DATA

Q3	2016	Organic	Acq., net	FX	2017	Change Reported
<b>Beer sales (pro rata, million hl)</b>						
Western Europe	13.8	-4%	-1%	-	13.1	-5%
Eastern Europe	9.7	-11%	0%	-	8.7	-11%
Asia	10.4	3%	-4%	-	10.3	-1%
Total	33.9	-4%	-1%		32.1	-5%
<b>Other beverages (pro rata, million hl)</b>						
Western Europe	4.5	-4%	-8%	-	3.9	-12%
Eastern Europe	0.7	-5%	0%	-	0.6	-5%
Asia	0.9	-5%	-5%	-	0.9	-10%
Total	6.1	-4%	-7%		5.4	-11%
<b>Total beverages (pro rata, million hl)</b>						
Western Europe	18.3	-4%	-3%	-	17.0	-7%
Eastern Europe	10.4	-10%	0%	-	9.3	-10%
Asia	11.3	2%	-4%	-	11.2	-2%
Total	40.0	-4%	-2%		37.5	-6%
<b>Net revenue (DKK million)</b>						
Western Europe	10,399	-4%	-3%	-1%	9,602	-8%
Eastern Europe	3,148	-2%	0%	1%	3,124	-1%
Asia	3,975	7%	-3%	-5%	3,935	-1%
Not allocated	12	-	-	-	20	73%
Total	17,534	-1%	-3%	-1%	16,681	-5%
<b>9 mths</b>						
	2016	Organic	Acq., net	FX	2017	Change Reported
<b>Beer sales (pro rata, million hl)</b>						
Western Europe	38.0	-1%	-1%	-	37.2	-2%
Eastern Europe	25.6	-9%	0%	-	23.2	-9%
Asia	29.4	0%	-3%	-	28.4	-3%
Total	93.0	-3%	-2%		88.8	-5%
<b>Other beverages (pro rata, million hl)</b>						
Western Europe	12.4	1%	-6%	-	11.8	-5%
Eastern Europe	1.7	-4%	0%	-	1.6	-4%
Asia	2.9	6%	-12%	-	2.7	-6%
Total	17.0	1%	-6%		16.1	-5%
<b>Total beverages (pro rata, million hl)</b>						
Western Europe	50.4	-1%	-2%		49.0	-3%
Eastern Europe	27.3	-9%	0%		24.8	-9%
Asia	32.3	1%	-5%		31.1	-4%
Total	110.0	-3%	-2%		104.9	-5%
<b>Net revenue (DKK million)</b>						
Western Europe	29,159	0%	-2%	-1%	28,146	-3%
Eastern Europe	7,871	-1%	0%	10%	8,597	9%
Asia	11,614	6%	-4%	-2%	11,651	0%
Not allocated	133	-	-	-	53	-61%
Total	48,777	1%	-3%	1%	48,447	-1%

## 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.