

Company announcement 10/2016

9 November 2016

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## Q3 2016 Trading Statement

### Solid Q3 performance; upgrade of 2016 earnings outlook

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

#### Highlights

- Reported net revenue of DKK 17.5bn; +1% organic growth (9M: +3%).
- Price/mix of +1% (9M: +4%).
- Total volumes flat organically (9M: -1%).

#### 2016 earnings expectation upgraded

- Organic operating profit growth is now anticipated to be around 5% (previously low-single-digit percentages growth).
- A translation impact of DKK -550m is now expected (previously DKK -600m).

Commenting on the results, CEO Cees 't Hart says: "We're satisfied with our Q3 results. Our value management approach, which targets the optimal balance between market share, gross margin and earnings, continues to progress well. In addition, our Eastern European business delivered a good set of results in the quarter, ahead of our expectations. Consequently, we upgrade our 2016 earnings expectations."

"We continue to see good momentum across the organisation in *Funding the Journey* and good progress in the operationalisation of the SAIL'22 priorities in our business plans for 2017 and future years."

*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 at [www.carlsberggroup.com](http://www.carlsberggroup.com).*

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## Q3 REVIEW

The Group delivered 1% organic revenue growth (9M: +3%), driven by 1% price/mix (9M: +4%) and flat total volumes (9M: -1%).

The lower price/mix in Q3 versus year-to-date was related to the strong growth of our Export & License business, and the better volume development was driven by strong volume growth in Eastern Europe due to a positive market development.

Reported net revenue was DKK 17.5bn (-4%) as a result of the negative currency impact of -4% and the acquisition impact of -1%. The latter related to the disposals of Danish Malting Group and Carlsberg Malawi.

The Carlsberg brand delivered 7% volume growth with particularly strong contribution from Russia, Ukraine and India. The Tuborg brand continued its strong growth (+10%) due to sustained growth in Asia, notably in India and China as well as under license in Turkey.

### Western Europe

Net revenue in Western Europe was down organically by 4% (9M: 0%). Price/mix was flat (9M: +2%) and total volumes were down by 4% (9M: -2%). In reported terms, net revenue was down 6% (9M: -3%) due to currencies.

We delivered positive price/mix in the majority of our Western European markets as a result of our improved value management approach. The lower price/mix in Q3 compared to the first six months (+3%) was due to the strong growth of our Export & License business. Excluding this business, our Western European markets achieved a price/mix of 3%.

We estimate that the overall Western European beer market grew by 1-2% for Q3. As expected, our volumes were impacted by the destocking in a number of markets following the UEFA EURO2016 sell-in in Q2 and by the reduction of margin-dilutive volumes in the second half of last year in the UK and Finland and the beginning of this year in Poland. Adjusting for the latter, volumes would have been down by an estimated 1%.

### Eastern Europe

Our Eastern European net revenue grew organically by 16% (9M: +11%), driven by 5% price/mix (9M: +7%) and 10% growth in total volumes (9M: +4%). In reported terms, net revenue grew by 5% (9M: -8%).

The positive price/mix was a result of price increases before summer and positive mix.

While the Eastern European beer markets grew slightly in Q3, we estimate that they were slightly down for the nine months. The consumer environment in the region continues to be challenging, but the beer markets benefitted from the warm summer in Q3. We achieved volume growth due to market share gains, the warm weather and sell-in of large-size PET bottles in Russia as we in Q4 will adapt to the new regulation.

## Asia

Net revenue in Asia grew organically by 2% (9M: +3%) as a result of 4% price/mix (9M: +6%) and organic total volumes of -1% (9M: -2%). Reported net revenue was down 6% (9M: -4%) due to a negative currency impact, mainly from China and Malaysia, and the disposal of Carlsberg Malawi.

The positive price/mix was driven by both price increases and a positive product mix as our premiumisation efforts continued, with particularly strong contribution from the sustained growth of Tuborg. The brand grew by 13% with strong results achieved in India and China but also in Cambodia and Vietnam, where the brand was recently launched.

We achieved volume growth in India, Nepal, Laos and Myanmar. Volumes were down in China as they were impacted by the Eastern Assets brewery closures. Excluding China, our Asian volumes grew organically by 4%.

## Earnings expectations

As the result of a more favourable market development in Eastern Europe in Q3 and a faster achievement of the value management benefits from Funding the Journey than previously expected, we adjust our earnings expectations upwards. Consequently, the Group now expects:

- An organic operating profit growth of around 5% (previously low-single-digit percentages growth).
- Financial leverage reduction.

Based on the spot rates as of 7 November, we now expect a translation impact of DKK -550m compared to our previous expectation of DKK -600m.

All other assumptions remain unchanged.

**Copenhagen, 9 November 2016**

Executive Board of Carlsberg A/S

Cees 't Hart  
President & CEO

Heine Dalsgaard  
CFO

## FINANCIAL CALENDAR

The financial year follows the calendar year, and the following schedule has been set for 2017:

8 February	Full-year 2016 results
24 February	Annual Report 2016
30 March	Annual General Meeting
4 May	Q1 Trading Statement
16 August	H1 Interim financial statement
12 October	Capital Markets Day
2 November	Q3 Trading Statement

The Carlsberg Group is one of the leading brewery groups in the world, with a large portfolio of beer and other beverage brands. Our flagship brand – Carlsberg – is one of the best-known beer brands in the world and the Baltika, Carlsberg and Tuborg brands are among the eight biggest brands in Europe. More than 45,000 people work for the Carlsberg Group, and our products are sold in more than 150 markets. In 2015, the Carlsberg Group sold 120 million hectolitres of beer, which is about 36 billion bottles of beer. Find out more at [www.carlsberggroup.com](http://www.carlsberggroup.com).

## VOLUME AND NET REVENUE DATA

Q3						Change
	2015	Organic	Acq., net	FX	2016	Reported
<b>Beer sales (pro rata, million hl)</b>						
Western Europe	14.6	-5%	0%		13.8	-5%
Eastern Europe	8.8	10%	0%		9.7	10%
Asia	11.0	-3%	-2%		10.4	-5%
Total	34.4	-1%	0%		33.9	-1%
<b>Other beverages (pro rata, million hl)</b>						
Western Europe	4.4	0%	0%		4.5	0%
Eastern Europe	0.6	24%	0%		0.7	24%
Asia	0.8	31%	-17%		0.9	14%
Total	5.8	7%	-2%		6.1	5%
<b>Total beverages (pro rata, million hl)</b>						
Western Europe	19.0	-4%	0%		18.3	-4%
Eastern Europe	9.4	10%	0%		10.4	10%
Asia	11.8	-1%	-3%		11.3	-4%
Total	40.2	0%	0%		40.0	0%
<b>Net revenue (DKK million)</b>						
Western Europe	11,093	-4%	0%	-2%	10,399	-6%
Eastern Europe	3,011	16%	0%	-11%	3,148	5%
Asia	4,210	2%	-4%	-4%	3,975	-6%
Not allocated	-18	n.m.	n.m.	n.m.	12	n.m.
Total	18,296	1%	-1%	-4%	17,534	-4%
<b>9 mths</b>						
	2015	Organic	Acq., net	FX	2016	Change Reported
<b>Beer sales (pro rata, million hl)</b>						
Western Europe	39.2	-3%	0%		38.0	-3%
Eastern Europe	24.8	3%	0%		25.6	3%
Asia	30.8	-4%	0%		29.4	-4%
Total	94.8	-2%	0%		93.0	-2%
<b>Other beverages (pro rata, million hl)</b>						
Western Europe	12.1	2%	0%		12.4	2%
Eastern Europe	1.5	15%	0%		1.7	15%
Asia	2.7	11%	-6%		2.9	5%
Total	16.3	5%	-1%		17.0	4%
<b>Total beverages (pro rata, million hl)</b>						
Western Europe	51.3	-2%	0%		50.4	-2%
Eastern Europe	26.3	4%	0%		27.3	4%
Asia	33.5	-2%	-2%		32.3	-4%
Total	111.1	-1%	0%		110.0	-1%
<b>Net revenue (DKK million)</b>						
Western Europe	29,965	0%	0%	-3%	29,159	-3%
Eastern Europe	8,567	11%	0%	-19%	7,871	-8%
Asia	12,158	3%	-2%	-5%	11,614	-4%
Not allocated	8	n.m.	n.m.	n.m.	133	n.m.
Total	50,698	3%	-1%	-6%	48,777	-4%

## 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 market 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.