Carlsberg Group

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FINANCIAL STATEMENT AS AT 31 DECEMBER 2018

Strong results; significant increase in cash returns to shareholders

Unless otherwise stated, comments in this announcement refer to full-year performance.

HIGHLIGHTS

- Organic net revenue growth of 6.5%; reported net revenue growth of 3.0% to DKK 62,503m.
- Price/mix improvement of 2%.
- Total organic volume growth of 4.8%; reported growth of 5.3%.
  - Tuborg volume growth of 10%, Carlsberg +5%, Grimbergen +14% and 1664 Blanc +49%.
  - Craft & speciality volume growth of 26%; alcohol-free brew volumes in Western Europe +33%.
- Funding the Journey as a specific programme successfully concluded with total benefits of around DKK 3bn.
- Organic operating profit growth of 11.0%; reported growth of 5.1% to DKK 9,329m.
  - Gross margin improvement of 20bp and operating margin improvement of 30bp to 14.9%.
- Adjusted net profit growth of 9% to DKK 5,359m.
- Free cash flow of DKK 6,156m.
- Net interest-bearing debt/EBITDA of 1.29x.
- ROIC improvement of 120bp to 8.1%. Excluding goodwill, improvement of 520bp to 20.9%.
- The Supervisory Board will propose a 13% increase in dividend to DKK 18.0 per share, equal to an adjusted payout ratio of 51%.
- The Company will today initiate a 12-month share buy-back programme of DKK 4.5bn (see page 18).

2019 EARNINGS EXPECTATIONS

- Mid-single-digit percentage organic growth in operating profit.
- A DKK translation impact on operating profit of around zero, based on the spot rates as at 5 February.

CEO Cees 't Hart says: "We delivered a strong set of results for 2018. In line with our ambitions for SAIL'22, we accelerated top-line growth, improved margins, delivered a strong cash flow and reduced debt even further. At the same time, we invested significant resources in our brands and activities, and we continue to target top-line growth and profit improvement in the coming years.

"We're pleased that, on the back of the strong results, the Supervisory Board will recommend a 13% increase in dividend to DKK 18 per share and initiate a share buy-back programme of DKK 4.5bn, leading to cash returns to shareholders for the year of DKK 7.2bn."

Carlsberg will present the results at a conference call today at 9.00 a.m. CET (8.00 am GMT). Dial-in information and slide deck are available beforehand on www.carlsberggroup.com.

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KEY FIGURES AND FINANCIAL RATIOS

DKK million		2018	2017	2016	2015	2014
Volumes (million hl)[1]						
Beer		112.3	107.1	116.9	120.3	122.8
Other beverages		20.8	19.2	21.9	21.5	21.0
Income statement						
Net revenue[1]		62,503	60,655	62,614	65,354	64,506
Gross profit[1]		31,220	30,208	31,419	31,925	31,781
EBITDA		13,420	13,583	13,006	13,213	13,338
Operating profit before special items		9,329	8,876	8,245	8,457	9,230
Special items, net		-88	-4,565	251	-8,659	-1,353
Financial items, net		-722	-788	-1,247	-1,531	-1,191
Profit before tax		8,519	3,523	7,249	-1,733	6,686
Income tax		-2,386	-1,458	-2,392	-849	-1,748
Consolidated profit		6,133	2,065	4,857	-2,582	4,938
Attributable to:						
Non-controlling interests		824	806	371	344	524
Shareholders in Carlsberg A/S (net result)		5,309	1,259	4,486	-2,926	4,414
Shareholders in Carlsberg A/S (adjusted)[2]		5,359	4,925	3,881	4,292	5,496
Statement of financial position						
Total assets		117,700	114,251	126,906	124,901	137,458
Invested capital		82,721	84,488	96,089	94,950	108,866
Invested capital excl. goodwill		31,792	33,991	43,225	44,680	56,319
Net interest-bearing debt		17,313	19,638	25,503	30,945	36,567
Equity, shareholders in Carlsberg A/S		45,302	46,930	50,811	43,489	52,437
Statement of cash flows						
Cash flow from operating activities		12,047	11,834	9,329	10,140	7,405
Cash flow from investing activities		-5,891	-3,154	-713	-2,618	-6,735
Free cash flow		6,156	8,680	8,616	7,522	670
Investments						
Acquisition and disposal of PP&E, net		-3,773	-3,868	-3,596	-2,922	-5,647
Acquisition and disposal of subsidiaries, net		-974	268	1,969	-33	-1,681
Financial ratios						
Gross margin[1]	%	50.0	49.8	50.2	48.8	49.3
Operating margin[1]	%	14.9	14.6	13.2	12.9	14.3
Return on invested capital (ROIC)	%	8.1	6.9	5.9	5.6	5.8
ROIC excl. goodwill	%	20.9	15.7	12.7	11.0	10.7
Effective tax rate for the year	%	28.0	41.4	33.0	49.0	26.1
Equity ratio	%	38.5	41.1	40.0	34.8	38.3
Debt/equity ratio (financial gearing)	x	0.36	0.40	0.48	0.66	0.65
Net interest-bearing debt/EBITDA	x	1.29	1.45	1.96	2.34	2.74
Interest cover	x	12.92	11.26	6.61	5.53	7.75
Stock market ratios						
Earnings per share (EPS)	DKK	34.8	8.3	29.4	-19.2	28.9
Earnings per share, adjusted (EPS-A)[2]	DKK	35.2	32.3	25.4	28.1	36.0
Cash flow from operating activities per share (CFPS)	DKK	78.7	77.6	61.2	66.3	48.4
Free cash flow per share (FCFPS)	DKK	40.2	56.9	56.5	49.2	4.4
Dividend per share (proposed)	DKK	18.0	16.0	10.0	9.0	9.0
Payout ratio	%	52	194	34	nm	31
Payout ratio, adjusted[2]	%	51	50	39	32	25
Share price (B shares)	DKK	692.6	745.0	609.5	612.5	478.8
Market capitalisation	DKKm	104,830	112,116	92,896	93,977	74,525
Number of shares (year-end, excl. treasury shares)	1,000	152,457	152,390	152,552	152,552	152,538
Number of shares (average, excl. treasury shares)	1,000	152,428	152,496	152,552	152,542	152,535

[1] Comparative figures for 2017 have been restated because of the change in accounting policies arising from the implementation of IFRS 15, the change in classification of certain central costs and the change in definition of volumes, all as of 1 January 2018. [2] Adjusted for special items after tax.

STRONG DELIVERY ON 2018 PRIORITIES

For 2018, the Group defined three overall priorities: maintain a sharp focus on costs to deliver the remaining Funding the Journey benefits, strengthen the focus on revenue growth and continue to exercise strict cash discipline.

FUNDING THE JOURNEY CONCLUDED

The Funding the Journey programme proved more successful than initially anticipated, in terms of both size and speed. The four elements of the programme – value management, supply chain efficiency, operating expense efficiency and right-sizing of businesses – all delivered better than expected. In total, this resulted in benefits of around DKK 3bn compared with the 2015 baseline. The strong delivery has enabled us to invest more than DKK 1bn in our business in support of brands, activities and building capabilities in areas such as commercial and digital.

While Funding the Journey as a specific programme has now been concluded, the focus on efficiency, costs and cash will remain an important driver of future value creation and will continue to be embedded in operations across the Group.

GOOD PROGRESS ON SAIL'22 PRIORITIES ACCELERATED REVENUE GROWTH

The significant investments in the SAIL'22 priorities over the past three years have been made with the purpose of building a solid foundation for future growth. While the main focus in 2016 and 2017 was delivery of the Funding the Journey benefits, in 2018 we sharpened the focus on revenue growth while delivering the remaining Funding the Journey benefits.

The 6.5% organic net revenue growth was a clear indication that SAIL'22 can generate top-line growth. While admittedly helped by the warm weather in Scandinavia and Russia during the summer, we also saw good underlying performance for our strategic initiatives, including the craft & speciality and alcohol-free portfolios, as well as for our core beer brands.

Within the core beer business, we saw strong growth for our international premium portfolio. Tuborg, our largest brand, grew by 10%, supported by good growth in China and India. The brand also grew in several markets in Western Europe, including Denmark, Norway, Serbia, Bulgaria and Turkey. Carlsberg brand volume grew by 5%. We saw good growth in several markets, including India, Malaysia, Russia, China, Poland and Denmark, partly offset by a decline in the UK. In September, we unveiled a new Carlsberg brand design alongside packaging innovations that will reduce plastic waste and increase recyclability. The new design and the betterments have been launched in Norway, Finland, Sweden, Denmark and the UK, and will be rolled out across other Carlsberg markets, including China, India, Malaysia and many more during the coming months.

Our craft & speciality portfolio delivered growth of 26%, achieved through strong growth of the international speciality brands Grimbergen and 1664 Blanc, and of authentic craft brands such as Brooklyn, Nya Carnegie in Sweden and Valaisanne in Switzerland. 1664 Blanc delivered growth of 49%, passing the 1m hl milestone in 2018. This growth was driven by excellent performance in markets such as Russia, China, Ukraine, France and some export markets. Grimbergen grew by 14%, with particularly strong results achieved in France, Denmark and Russia. The brand was also launched in China. We continued to expand within authentic craft offerings, and by the end of 2018 we had ten craft breweries in Western Europe.

The roll-out of the DraughtMaster™ system continued, supporting the availability of our craft & speciality portfolio in the on-trade. The system is now available in all Western European countries, and the process of converting all steel-keg installations in the Nordic markets is well under way and expected to be completed within the next two to three years. In 2018, we increased the number of DraughtMaster™ installations by around 35%.

Our extensive portfolio of local alcohol-free brews includes brands such as Carlsberg Nordic in Denmark, Munkholm in Norway, Feldschlösschen Alkoholfrei in Switzerland and Baltika 0 in Russia. Alcohol-free brews grew by 33% in Western Europe, and in Russia Baltika 0 grew by 35%, supported by the successful launch of Baltika 0 Wheat in 2017. During the year, we launched Birell as the Group's first global alcohol-free brew. The brand was launched in Bulgaria and Poland in May, with a positive initial response from consumers.

DELIVERY OF SAIL'22 FINANCIAL PRIORITIES

The Group delivered well on the financial metrics of SAIL'22.

Organic growth in operating profit: The Group achieved 11.0% organic growth in operating profit.

ROIC improvement: ROIC improved by +120bp to 8.1%, driven by the organic growth in operating profit after tax and lower invested capital.

Optimal capital allocation: We target a conservative balance sheet with net interest-bearing debt/EBITDA below 2.0x. By the end of 2018, net interest-bearing debt/EBITDA reached 1.29x (2017: 1.45x) as a result of the continued strong free cash flow. Consequently, the Supervisory Board will propose a dividend of DKK 18.0 per share (+13%), corresponding to an adjusted payout ratio of 51%.

As a result of the healthy development of the business in recent years and confidence in the Group's long-term prospects, the Supervisory Board has decided to initiate a share buy-back programme to return excess cash to shareholders. The Group intends to buy back Carlsberg B shares amounting to DKK 4.5bn during the next 12 months (see also page 18).

2018 REGIONAL PRIORITIES

The Group also delivered positively on its financial priorities for the regions. These were to improve margins and operating profit in Western Europe, accelerate organic growth in Asia through premiumisation and rebalance the focus towards top-line growth in Eastern Europe.

In Western Europe, the operating margin improved by 60bp to 15.0%, and organic operating profit grew by 7.0%.

In Asia, organic net revenue growth was 13.3%, driven by +4% price/mix and 8.6% organic volume growth. Organic operating profit growth was 15.8%.

In Eastern Europe, organic revenue growth was 9.3% and the operating margin was up 30bp on 2017.

STRUCTURAL CHANGES

As a result of the strong financial performance, the Group was able to engage in several M&A transactions during the year, with the aim of strengthening long-term value creation. The following transactions were completed:

- Acquisition of the remaining 49% of Olympic Brewery in Greece.
- Acquisition of an additional 25% of Cambrew in Cambodia, increasing our ownership share to 75%.
- Acquisition of an additional 10.5% of Brewery Alivaria in Belarus, increasing our ownership share to 78%.
- Acquisition of 28.5% of the shares in Viacer, the holding company that controls Super Bock Group in Portugal. Viacer continues to be controlled by our partner and, consequently, Super Bock Group will remain an associate. Following that transaction, the Carlsberg Group's direct and indirect ownership in Super Bock Group is 60%.

2019 EARNINGS EXPECTATIONS

For 2019, the Group will continue to drive organic net revenue growth while maintaining tight cost control and strict cash discipline. Our regional priorities will be to increase net revenue and the operating margin in Western Europe, drive growth in Asia through premiumisation, and strengthen market leadership in Eastern Europe.

Based on these priorities, the Group expects to deliver:

- Mid-single-digit percentage organic growth in operating profit.

Based on the spot rates as at 5 February, we assume a DKK translation impact of around zero for 2019.

Other relevant assumptions are as follows:

Financial expenses, excluding currency losses or gains, are expected to be DKK 700-750m.

The effective tax rate is expected to be below 28%.

Capital expenditure at constant currencies is expected to be around DKK 4.5bn.

Forward-looking statements

This Company Announcement contains forward-looking statements. 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 them. Accordingly, forward-looking statements should not be relied on as prediction of the actual results. Please see page 20 for the full forward-looking statement disclaimer.

GROUP FINANCIAL PERFORMANCE

	2017	Change Organic	Change Acq., net	Change FX	2018	Change Reported
FY						
Volumes (million hl)						
Beer	107.1	4.4%	0.5%	-	112.3	4.9%
Other beverages	19.2	6.9%	0.8%	-	20.8	7.7%
Total volume	126.3	4.8%	0.5%	-	133.1	5.3%
DKK million						
Net revenue	60,655	6.5%	0.1%	-3.6%	62,503	3.0%
Operating profit	8,876	11.0%	-0.3%	-5.6%	9,329	5.1%
Operating margin (%)	14.6				14.9	30bp
H2						
Volumes (million hl)						
Beer	53.1	5.5%	1.2%	-	56.6	6.7%
Other beverages	9.4	9.8%	4.7%	-	10.9	14.5%
Total volume	62.5	6.2%	1.7%	-	67.5	7.9%
DKK million						
Net revenue	29,479	7.9%	1.3%	-2.2%	31,537	7.0%
Operating profit	4,751	8.3%	-0.9%	-3.1%	4,956	4.3%
Operating margin (%)	16.1				15.7	-40bp

Total volumes grew organically by 4.8%. Beer volumes grew organically by 4.4%, driven by growth in all three regions, while other beverages grew organically by 6.9%. Reported volume growth was 5.3%, positively impacted by the increased ownership in Cambrew since August 2018 and negatively impacted by the divestment of the German wholesaler Nordic Getränke in April 2017.

Price/mix was +2%, bringing organic net revenue growth to 6.5%. Price/mix was supported by the growth of craft & speciality and alcohol-free brews, and by value management. Reported net revenue grew by 3.0%, impacted by adverse currency movements.

Cost of goods sold per hl grew organically by approximately 1%, mainly due to higher input costs and mix. The solid price/mix and ongoing efficiency improvements led to a gross margin improvement of 20bp to 50.0%.

Operating expenses grew organically by 4% due to investments in the SAIL'22 priorities. Marketing expenses grew organically by 15%, reaching 8.6% of reported net revenue (2017: 7.8%). Despite higher marketing investments, reported operating expenses as a percentage of net revenue declined by 45bp. Excluding marketing expenses, reported operating expenses declined by 1%, compounded by the effect of currencies.

Operating profit before depreciation, amortisation and impairment losses (EBITDA) grew organically by 3.6%. Reported EBITDA was adversely impacted by currencies and declined by 1.2%.

As expected, the H2 organic operating profit growth of 8.3% was lower than the 14.2% in H1 due to lower depreciation in H1 2018 versus H1 2017, a positive year-on-year impact in H1 from the sell-in to the festive season in Asia and higher spend in H2 in support of our SAIL'22 priorities. Consequently, full-year operating profit increased organically by 11.0%, with all three regions delivering very solid results. Reported operating profit was DKK 9,329m (+5.1%). The negative currency impact mainly related to Asian and Eastern European currencies. The reported operating margin improved by 30bp to 14.9%.

Adjusted net profit (adjusted for special items after tax) was DKK 5,359m, and adjusted earnings per share were DKK 35.2 (2017: DKK 32.3), corresponding to a 9% improvement. This was driven by operating profit growth, lower financial expenses and a lower effective tax rate compared with 2017.

Reported net profit was up significantly compared with 2017 and amounted to DKK 5,309m. In 2017, net profit was DKK 1,259m, impacted by the impairment of the Baltika brand in Russia.

Free operating cash flow improved to DKK 8,092m (2017: DKK 7,981m), mainly as a result of a strong improvement in trade working capital. Trade working capital as a percentage of net revenue improved further to -16.0% (2017: -14.0%), driven by improvements in all three regions. Free cash flow amounted to DKK 6,156m (2017: DKK 8,680m). This included financial investments of DKK 1,926m, with the main impact being from the Group's increased ownership in Cambrew in Cambodia and Super Bock in Portugal.

In addition to the cash invested in these increased ownerships, we also acquired non-controlling interests in Olympic in Greece and Alivaria in Belarus, bringing the total cash invested in acquisitions to DKK 2.8bn for the year.

Return on invested capital (ROIC) increased by 120bp to 8.1%, impacted by lower invested capital, improved profitability and a lower effective tax rate. ROIC excluding goodwill increased by 520bp to 20.9%, with improvements achieved in all regions.

Net interest-bearing debt was DKK 17,313m, a reduction of DKK 2,325m versus year-end 2017 despite the higher dividend payout and the acquisitions made during the year. Net interest-bearing debt/EBITDA was 1.29x (1.45x at year-end 2017).

REGIONAL PERFORMANCE

WESTERN EUROPE

	2017	Change Organic	Change Acq., net	Change FX	2018	Change Reported
FY						
Volumes (million hl)						
Beer	46.1	2.9%	-0.2%	-	47.3	2.7%
Other beverages	14.5	5.9%	-2.0%	-	15.1	3.9%
Total volume	60.6	3.6%	-0.6%	-	62.4	3.0%
DKK million						
Net revenue	35,716	3.0%	-0.7%	-1.1%	36,151	1.2%
Operating profit	5,144	7.0%	0.2%	-1.7%	5,425	5.5%
Operating margin (%)	14.4				15.0	60bp
H2						
Volumes (million hl)						
Beer	22.8	7.2%	0.0%	-	24.4	7.2%
Other beverages	7.2	9.9%	0.0%	-	7.9	9.9%
Total volume	30.0	7.8%	0.0%	-	32.3	7.8%
DKK million						
Net revenue	17,473	5.9%	0.0%	-0.6%	18,396	5.3%
Operating profit	2,818	6.3%	0.0%	-1.6%	2,952	4.7%
Operating margin (%)	16.1				16.0	-10bp

Western Europe delivered strong results in 2018, partly supported by the warm summer in the northern part of the region, especially in Q3. Net revenue grew organically by 3.0% as a result of 3.6% organic total volume growth and -1% price/mix. Reported net revenue grew by 1.2% due to the divestment of the German wholesaler Nordic Getränke in April 2017 and a negative currency impact.

Price/mix was positive in the majority of our Western European markets, supported by successful premiumisation efforts and some price increases, partly countered by the higher growth of non-beer products. At regional level, the positive price/mix was more than offset by country mix due to growth in licence markets, such as Turkey, and loss of volumes in high-revenue export markets in the Middle East.

Organic operating profit grew by 7.0%, and the operating margin improved by 60bp to 15.0%. The earnings progress was driven by volume growth, value management, premiumisation, Funding the Journey benefits and lower depreciation. The organic operating profit growth in H2 was 6.3%, and the operating margin declined by 10bp year-on-year for the half-year due to higher investments in SAIL'22 priorities such as craft & speciality, alcohol-free brews and the DraughtMaster™ roll-out.

Total volumes increased organically by 3.6% and beer volumes by 2.9%, with a significant improvement in H2 thanks to the warm weather in Q3 after a difficult start to the year. Non-beer volumes grew by 5.9% due to good performance in the Nordics. Reported volumes grew by 3.0%, with a small net acquisition impact from last year's divestment of Nordic Getränke. We estimate that our regional market share grew slightly.

The Nordics

The Nordic businesses all benefited from the extraordinarily warm weather in Q3, which positively impacted volumes, net revenue and earnings. Total volumes grew organically by 6%.

Our total volumes in Denmark grew in line with a slightly growing beer market. We saw good performance of the Carlsberg brand as well as Tuborg Classic, Grimbergen and 1664 Blanc, and alcohol-free brews such as Carlsberg Nordic, whereas Tuborg Green declined due to price increases on large-pack formats. As a result, price/mix improved by 5%. The non-beer business delivered strong growth, supported by the warm summer.

In Norway, we saw continued good business performance. Our volumes grew slightly, and price/mix strengthened, supported by growth of premium brands such as Frydenlund and 1664 Blanc. Within alcohol-free brews, we saw good traction for Munkholm and the alcohol-free variants of 1664 Blanc and Somersby. The new Snap Pack packaging was introduced for the Carlsberg brand in Q4.

In Sweden, total volumes grew, driven by strong non-beer volume growth, while beer volumes declined slightly due to the loss of distribution rights for third-party brands. Our own beer brands, such as Eriksberg, Carlsberg and 1664 Blanc, achieved good volume growth and grew market share. Within alcohol-free brews, the Carlsberg brand continued to drive category growth and expanded its market-leading position.

In Finland, the beer market declined following a regulatory change that increased the ABV level permitted in beverages sold in the regular off-trade, thereby allowing the sale of spirit-based drinks. Our total volume growth was strong, driven by relisting at a major retailer in Q1 for the winter campaign and growth of non-beer products. Sinebrychoff, our Finnish subsidiary, will celebrate its 200th anniversary in 2019.

France

In a growing French market, our volumes grew by 5%. Price/mix improved as a result of continued growth of our premium brands. Our craft & speciality and alcohol-free brews performed well, while the Kronenbourg brand in the mainstream segment declined. The good overall performance was achieved despite some supply issues due to the French national rail strike in Q2.

Switzerland

The positive trend in our Swiss business continued. Volumes grew slightly, and price/mix improved, driven by solid performance of our beer portfolio. Our key beer brand, Feldschlösschen, our regional brands and our alcohol-free brews all delivered good growth.

Poland

The Polish market grew, and our volumes increased slightly. After a slow start to the year, the business accelerated throughout the summer and towards the end of the year. We achieved price/mix of high-single-digit percentages, helped by good performance for our upper-mainstream and premium brands such as Okocim, Carlsberg, Zatec and Somersby, as well as strong performance of alcohol-free brews.

The UK

Our volumes declined by 3% in a slightly growing beer market. Our volumes in the premium category increased, driven by growth of brands such as Poretti and licence brands, whereas the mainstream Carlsberg brand lost market share. During the year, we completed our exit from porterage activities, which reduced net revenue.

Other markets

In the other Western European markets, we achieved particularly strong top-line and margin improvement in markets such as Bulgaria, Croatia, Serbia and the Baltics, where good growth of Carlsberg, Tuborg, craft & speciality and alcohol-free brews supported a positive price/mix development. Our German business delivered solid top-line performance, driven by our local power brands Lübzer and Astra.

In our Export & Licence business, licence sales of Tuborg in Turkey increased significantly, while sales in some Middle Eastern countries declined due to significant market contraction caused by higher duties and VAT.

ASIA

		Change				Change
	2017	Organic	Acq., net	FX	2018	Reported
FY						
Volumes (million hl)						
Beer	31.2	8.3%	2.0%	-	34.4	10.3%
Other beverages	2.8	11.6%	15.7%	-	3.6	27.3%
Total volume	34.0	8.6%	3.1%	-	38.0	11.7%
DKK million						
Net revenue	13,944	13.3%	2.7%	-4.6%	15,530	11.4%
Operating profit	2,905	15.8%	-1.3%	-5.6%	3,164	8.9%
Operating margin (%)	20.8				20.4	-40bp
H2						
Volumes (million hl)						
Beer	15.0	6.3%	4.1%	-	16.6	10.4%
Other beverages	1.3	9.5%	32.7%	-	1.9	42.2%
Total volume	16.3	6.6%	6.4%	-	18.5	13.0%
DKK million						
Net revenue	6,544	12.2%	5.7%	-1.5%	7,615	16.4%
Operating profit	1,411	14.0%	-3.0%	-0.8%	1,556	10.2%
Operating margin (%)	21.7				20.4	-130bp

The Asia region continued its good progress and delivered a strong set of results for the year. Net revenue grew organically by 13.3%, driven by 8.6% organic volume growth and +4% price/mix.

Reported net revenue grew by 11.4% due to a negative currency impact in most countries in the region, which more than offset the acquisition impact of Cambrew.

The solid 4% price/mix improvement was the result of our ongoing premiumisation efforts, especially in China, where the premium portfolio performed strongly.

Organic operating profit grew by 15.8%, mainly due to the revenue growth. The operating margin declined by 40bp to 20.4%. While the gross margin improved considerably, this was offset by a significant increase in marketing investments, with a sizeable proportion of our SAIL'22 investments being allocated to further strengthening our Asian business, and as a result of the consolidation of Cambrew.

The organic volume growth was broadly based, with all major markets delivering solid growth.

China
Our Chinese business achieved very strong results in 2018. Net revenue grew organically by 15%, driven by 8% organic volume growth and +7% price/mix. We outperformed the Chinese market, which declined by an estimated 1% due to the continued decline of the mainstream segment as the premium segments continued to expand. As a result, our premium portfolio grew by 13%. Our price/mix improvement was the result of list price increases and the pronounced premiumisation trend.

India and Nepal
Our Indian business had an excellent year, following a challenging 2017. Our volumes grew by 19% and price/mix was +7%. The price/mix improvement was driven by strong growth of the Carlsberg brand and improved pricing. Profitability improved considerably due to volume growth, positive price/mix and supply chain efficiencies following the opening of the Karnataka brewery.

Our Nepalese business showed strong progress. Following a 30% excise tax increase in the middle of the year, retail beer prices rose by approximately 15%, leading to a slightly declining price/mix. In H2, we revitalised the communication platform for the Tuborg brand.

Laos, Cambodia and Vietnam
In Laos, our volumes grew by high-single-digit percentages, driven by growth of all three categories: beer, soft drinks and water. Price/mix was slightly negative due to product mix. Our Beerlao brand strengthened its position as a result of improved communication. In line with our focus on craft & speciality, we launched crafty line extensions of the Beerlao brand.

In Cambodia, we gained control of Cambrew in August after increasing our ownership from 50% to 75%. We are currently in the process of rebuilding the business and are optimistic about the prospects for the market and our business. Although the business had a challenging year with double-digit volume decline and operating loss, the first signs of the rebuild are encouraging.

Our volumes in Vietnam declined slightly in a flat market. We saw good growth of the Carlsberg brand.

Malaysia and Singapore

Our Malaysian and Singaporean businesses delivered another year of very good performance, driven by share gains, especially in the premium categories. Carlsberg Smooth Draught grew double-digit, following the launch in 2017. Our premium international brands, such as 1664 Blanc and Somersby, also achieved very positive growth rates.

EASTERN EUROPE

		Change				Change
	2017	Organic	Acq., net	FX	2018	Reported
FY						
Volumes (million hl)						
Beer	29.8	2.8%	0.0%	-	30.6	2.8%
Other beverages	1.9	7.8%	0.0%	-	2.1	7.8%
Total volume	31.7	3.1%	0.0%	-	32.7	3.1%
DKK million						
Net revenue	10,925	9.3%	0.0%	-10.6%	10,780	-1.3%
Operating profit	2,220	11.3%	0.0%	-11.2%	2,222	0.1%
Operating margin (%)	20.3				20.6	30bp
H2						
Volumes (million hl)						
Beer	15.3	2.5%	0.0%	-	15.6	2.5%
Other beverages	0.9	9.4%	0.0%	-	1.1	9.4%
Total volume	16.2	2.9%	0.0%	-	16.7	2.9%
DKK million						
Net revenue	5,423	9.4%	0.0%	-7.8%	5,507	1.6%
Operating profit	1,173	6.1%	0.0%	-7.9%	1,151	-1.8%
Operating margin (%)	21.6				20.9	-70bp

Our Eastern European business delivered 9.3% organic net revenue growth, driven by 3.1% volume growth and +6% price/mix. Reported net revenue declined by 1.3% due to weak currencies in all markets in the region.

The drivers of the price/mix improvement differed between markets, with Russian price/mix mainly the result of higher prices, while the other markets benefited from both price increases and mix improvements.

Organic operating profit grew by 11.3%, driven by volume growth, the positive price/mix and tight cost control. The operating margin improved by 30bp to 20.6%. The H2 operating margin declined year-on-year as a result of higher packaging costs and adverse currency impact.

Volumes grew in all markets.

Russia

In 2018, the Russian beer market grew for the first time since 2007. The market growth was an estimated 3%, supported by favourable weather in Q2 and the football world cup impact in Q3. Our volumes grew organically by 2%. Price/mix improved by 2%, with an improving trend towards the end of the year, when we implemented price increases to offset input cost pressure. Product mix remained negative due to the continued growth of the economy segment. The operating margin remained above 20%.

Ukraine

The Ukrainian market grew slightly, and our volumes grew by mid-single-digit percentages, supported by growth of our strong local power brand Lvivske and our international brands. The growth of Lvivske was supported by the line extension Lvivske Eksportowe and an alcohol-free variant. Price/mix developed very favourably due to price increases and growth in premium products, with particularly strong growth for 1664 Blanc, Grimbergen, Somersby and Garage.

Other markets

Our businesses in Belarus, Kazakhstan and Azerbaijan all delivered solid revenue and earnings growth.

CENTRAL COSTS (NOT ALLOCATED)

Central costs, net, amounted to DKK -1,443m (2017: DKK -1,307m). Central costs are incurred for ongoing support of the Group's overall operations, strategic development and driving efficiency programmes. In particular, they include the costs of running central functions and central marketing. The increase was mainly related to an increase in marketing investments in support of SAIL'22 and digital investments.

OTHER ACTIVITIES

The operation of the Carlsberg Research Laboratory and the non-controlling holding in the Carlsberg Byen company in Copenhagen are reported separately from the beverage activities. The non-beverage activities generated an operating loss of DKK 39m (2017: loss of DKK 86m). The lower loss is mainly due to income from disposal of properties in the associate Carlsberg Byen.

COMMENTS ON THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The 2018 consolidated financial statements of the Carlsberg Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

Except for the changes described below, the consolidated financial statements have been prepared using the same accounting policies for recognition and measurement as those applied to the consolidated financial statements for 2017. The consolidated financial statements for 2017 contain a complete description of the accounting policies.

As of 1 January 2018, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments became applicable. Furthermore, the Group has changed the classification of certain costs to align with internal measures and the definition of volume to include only the Group's sales of beverages in consolidated entities. The comparative figures for 2017 have been restated accordingly. These changes and their financial impact are described in the accounting policies in the consolidated financial statements for 2017, sections 9.3 and 9.5.

The following amendments and improvements became applicable as of 1 January 2018, without having any impact on the Group's accounting policies, as they cover areas that are not material or relevant for the Group:

- Annual Improvements to IFRS Standards 2014-2016 Cycle (IFRS 1 and IAS 28)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

As of 1 January 2019, IFRS 16 Leases became applicable. The impact for the Group in respect of operating leases is an increase in property, plant and equipment and in financial liabilities. Operating profit before special items will increase by approximately DKK 10m, as the lease cost includes an interest element that will be recognised as a financial item. The identified right-of-use assets are expected to increase the Group's assets and liabilities by approximately DKK 1.3bn. The Group will apply the standard retrospectively, with the cumulative effect from the date of the initial application recognised as an adjustment to the opening balance of retained earnings, and will not restate comparative figures for the year prior to adoption.

Non-GAAP measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS. The Group believes that these additional measures, which are used internally, are useful to users of the financial information, helping them to understand the underlying business performance.

The principal non-GAAP measures used by the Group are defined in the accounting policies in the consolidated financial statements for 2017, section 9. The non-GAAP measures are disclosed in the key figures and financial ratios table on page 3, the tables on financial performance for the Group and each of the regions on pages 7-14, and in the segment reporting by region on pages 28-30.

INCOME STATEMENT

Please see pages 7-8 for a review of operating profit.

Net special items amounted to DKK -88m (2017: DKK -4,565m, impacted by an impairment of the Baltika brand in Russia). Special items were particularly impacted by measures related to Funding the Journey in Western Europe. A specification of special items is included in note 4.

Net financial items amounted to DKK -722m against DKK -788m in 2017. Excluding foreign exchange gains, net, they amounted to DKK -758m (2017: DKK -980m), positively impacted by the lower net interest-bearing debt. A specification of net financial items is included in note 5.

Tax totalled DKK -2,386m against DKK -1,458m in 2017. The effective tax rate was 28% (2017: 29%, adjusted for the brand impairment).

Non-controlling interests were DKK 824m (2017: DKK 806m).

The Carlsberg Group's share of consolidated profit was DKK 5,309m against DKK 1,259m in 2017. Adjusted net profit (adjusted for special items after tax) was DKK 5,359m compared to DKK 4,925m in 2017. The increase was mainly driven by the growth in operating profit.

STATEMENT OF FINANCIAL POSITION

Assets

Total assets amounted to DKK 117.7bn at 31 December 2018 (2017: DKK 114.3bn). The small increase of DKK 3.4bn was mainly due to higher property, plant and equipment and an improved cash position.

Intangible assets amounted to DKK 66.9bn at 31 December 2018 (2017: DKK 67.8bn). The lower amount was due to depreciation of the Russian rouble and Asian currencies.

Property, plant and equipment increased by DKK 1.1bn to DKK 25.4bn (2017: DKK 24.3bn), impacted by new investments and the consolidation of Cambrew.

Current assets increased by DKK 2.8bn to DKK 18.1bn, mainly driven by increases in inventories and trade receivables totalling DKK 1.1bn and an increase in cash and cash equivalents of DKK 2.1bn. The DKK 0.6bn increase in inventories was due to the inventory build-up prior to the festive season in Asia, higher input costs and the consolidation of Cambrew. The DKK 0.5bn increase in trade receivables was mainly driven by country mix. The increase in cash and cash equivalents to DKK 5.6bn was due to the strong free cash flow.

Equity and liabilities

Equity amounted to DKK 47.9bn at 31 December 2018 (2017: DKK 49.5bn), of which DKK 45.3bn was attributed to shareholders in Carlsberg A/S and DKK 2.6bn to non-controlling interests. The change in equity of DKK 1.6bn was mainly the result of the consolidated profit of DKK 6.1bn offset by the foreign exchange loss of DKK 2.8bn and the dividend payout of DKK 3.3bn.

Long- and short-term borrowings amounted to DKK 24.0bn as at 31 December 2018 (2017: DKK 24.2bn). Long-term borrowings were DKK 16.8bn (2017: DKK 23.3bn) and short-term borrowings were DKK 7.2bn (2017: DKK 0.8bn). The shift between long-term and short-term borrowings was mainly due to the reclassification of the EUR 750m bond maturing on 3 July 2019.

Current liabilities excluding short-term borrowings increased by DKK 3.0bn to DKK 27.2bn. The increase was mainly due to an increase of DKK 2.7bn in trade payables. This was the result of increased volumes, disciplined cash focus, country mix and the acquisition of Cambrew.

CASH FLOW

Free cash flow amounted to DKK 6,156m versus DKK 8,680m in 2017. The change was primarily due to the increased ownership in Cambrew in Cambodia and Super Bock in Portugal.

Cash flow from operating activities was DKK 12,047m against DKK 11,834m in 2017.

EBITDA was DKK 13,420m (2017: DKK 13,583m), negatively impacted by currencies.

The change in trade working capital was DKK +1,908m (2017: DKK +848m). Average trade working capital to net revenue improved further to -16.0% compared to -14.0% for 2017 (MAT). The change in other working capital was DKK +52m (2017: DKK +388m), positively impacted by a reclassification of certain on-trade loans of DKK 238m.

Restructuring costs paid amounted to DKK -238m (2017: DKK -364m). Net interest etc. paid amounted to DKK -863m (2017: DKK -408m). The higher payment was due to a significant positive impact from the settlement of financial instruments in 2017. Corporation tax paid was DKK -2,375m (2017: DKK -1,934m). The increase versus last year was due to certain one-off tax payments and the consolidation of Cambrew in Cambodia.

Cash flow from investing activities was DKK -5,891m against DKK -3,154m in 2017. Operational investments totalled DKK -3,955m (2017: DKK -3,853m), while total financial investments amounted to DKK -1,926m (2017: DKK +674m) due to the acquisitions of Cambrew and Super Bock during the year.

Cash flow from acquisition of non-controlling interests in Olympic Brewery in Greece and Brewery Alivaria in Belarus amounted to DKK 355m. In total, cash flow related to investments in entities in 2018 amounted to DKK 2.8bn.

FINANCING

At 31 December 2018, gross financial debt was DKK 24.0bn (2017: DKK 24.2bn) and net interest-bearing debt DKK 17.3bn (2017: DKK 19.6bn). The difference of DKK 6.7bn mainly comprised cash and cash equivalents of DKK 5.6bn.

The net interest-bearing debt/EBITDA ratio declined to 1.29x (1.45x at year-end 2017).

Of the gross financial debt, 70% (DKK 16.8bn) was long term, i.e. with maturity of more than one year from 31 December 2018. The change versus 30 June 2018, when the long-term portion was 93%, is due to a EUR 750m bond with a coupon rate of 2.625% maturing on 3 July 2019.

Of the net financial debt, 96% was denominated in EUR and DKK (after swaps). At 31 December 2018, the duration was 4.2 years, within our target of two to five years.

SHARE BUY-BACK

As mentioned earlier in the announcement, the Supervisory Board has decided to use share buy-back programmes to return excess cash to shareholders.

The size of potential future share buy-back programmes will depend on the expected organic and inorganic investments needed to grow the business and the Group's intention to maintain net interest-bearing debt/EBITDA below 2.0x. The share buy-back programme is in line with the SAIL'22 target of ensuring an optimal capital allocation for the Group.

Consequently, the Carlsberg Group intends to buy back Carlsberg B shares amounting to DKK 4.5bn over the next 12 months. The share buy-back programme will be split into two tranches of approximately six months each. Today, the Group initiates a share buy-back programme of DKK 2.5bn with a maximum of 15 million Carlsberg B shares.

The programme will be executed in accordance with Article 5 of Regulation No 596/2014 of the European Parliament and Council of 16 April 2014 (MAR) and the Commission Delegated Regulation (EU) 2016/1052, also referred to as the Safe Harbour Regulation. Carlsberg is entitled to suspend or terminate the programme at any time. Any such decision will be disclosed to the public by a Company announcement.

The purpose of the programme is to reduce the Company's share capital and meet obligations relating to the Group's share-based incentive programmes. At the Annual General Meeting in 2020, the Supervisory Board intends to propose that shares not used for hedging of the incentive programmes be cancelled.

The Carlsberg Foundation will participate pro rata in the 2019 share buy-back programme at its current notional holding of 30.33% of the total shares in the Carlsberg Group.

The Carlsberg Group has appointed Nordea Danmark, filial af Nordea Bank Abp, Finland ("Nordea"), as lead manager to execute the programme independently and without influence from Carlsberg, as required by the Safe Harbour Regulation. Under the agreement, Nordea will repurchase B shares during the trading period, which runs from 6 February to 9 August 2019. The maximum number of shares that may be repurchased on a single business day is 25% of the average daily trading volume of Carlsberg B shares at the trading venue on which the purchase is carried out over the preceding 20 trading days prior to the date of purchase. The Group will disclose the transactions under the share buy-back programme at least once every seven trading days.

ANNUAL GENERAL MEETING

The Annual General Meeting will take place on Wednesday 13 March 2019 at 5.00 p.m. (CET) at Ny Carlsberg Glyptotek, Dantes Plads 7, Copenhagen, Denmark.

BOARD RESOLUTION AND PROPOSAL TO THE ANNUAL GENERAL MEETING

Dividend

The Supervisory Board will recommend to the Annual General Meeting that a dividend be paid for 2018 of DKK 18.0 per share, or a total of DKK 2.7bn. This is an increase of 13% compared with 2017 and equals a payout ratio of 51% of adjusted net profit.

Supervisory Board members

In May 2018, Nancy Cruickshank stepped down from the Supervisory Board to join the Group as Senior Vice President, Digital Business Transformation. Lars Rebien Sørensen, Donna Cordner and Nina Smith are not standing for re-election at the upcoming AGM in March 2019. The Supervisory Board will propose Lars Fruergaard Jørgensen, President and CEO of Novo Nordisk, Lilian Fossum Biner, non-executive board director, Domitille Doat-Le Bigot, Chief Digital Officer at Danone, and Maiken Schultz, professor at Copenhagen Business School, as new members.

FINANCIAL CALENDAR

The financial year follows the calendar year, and the following schedule has been set for 2019:

13 March	Annual General Meeting
2 May	Q1 Trading statement
15 August	H1 Interim financial statement
31 October	Q3 Trading statement

FORWARD-LOOKING STATEMENTS

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.

MANAGEMENT STATEMENT

The Supervisory Board and Executive Board have discussed and approved the Company announcement of the financial statement as at 31 December 2018.

The Company announcement of the financial statement as at 31 December 2018 has been prepared using the same accounting policies as the consolidated financial statements for 2018.

Copenhagen, 6 February 2019

Executive Board of Carlsberg A/S

Cees 't Hart CEO	Heine Dalsgaard CFO

Supervisory Board of Carlsberg A/S

Flemming Besenbacher Chairman	Lars Rebien Sørensen Deputy Chairman	Hans Andersen
Carl Bache	Magdi Batato	Richard Burrows
Donna Cordner	Eva Vilstrup Decker	Finn Lok
Erik Lund	Søren-Peter Fuchs Olesen	Peter Petersen
Nina Smith	Lars Stemmerik	

FINANCIAL STATEMENTS

INCOME STATEMENT

DKK million	H2 2018	H2 2017	2018	2017
Net revenue	31,537	29,479	62,503	60,655
Cost of sales	-15,972	-14,766	-31,283	-30,447
Gross profit	**15,565**	**14,713**	**31,220**	**30,208**
Sales and distribution expenses	-8,510	-8,039	-17,474	-17,144
Administrative expenses	-2,163	-2,162	-4,615	-4,563
Other operating activities, net	67	72	68	113
Share of profit after tax, associates and joint ventures	-3	167	130	262
Operating profit before special items	**4,956**	**4,751**	**9,329**	**8,876**
Special items, net	-51	-4,603	-88	-4,565
Financial income	165	-136	358	511
Financial expenses	-557	-301	-1,080	-1,299
Profit before tax	**4,513**	**-289**	**8,519**	**3,523**
Income tax	-1,264	-353	-2,386	-1,458
Consolidated profit	**3,249**	**-642**	**6,133**	**2,065**
Attributable to:				
Non-controlling interests	411	403	824	806
Shareholders in Carlsberg A/S (net profit)	2,838	-1,045	5,309	1,259
DKK				
Earnings per share of DKK 20	18.6	-6.9	34.8	8.3
Diluted earnings per share of DKK 20	18.5	-6.9	34.7	8.2

STATEMENT OF COMPREHENSIVE INCOME

DKK million	H2 2018	H2 2017	2018	2017
Consolidated profit	**3,249**	**-642**	**6,133**	**2,065**
Other comprehensive income:				
Retirement benefit obligations	93	1,252	392	1,266
Share of other comprehensive income, associates and joint ventures	-2	-14	4	-12
Income tax	-33	-141	-33	-141
Items that will not be reclassified to the income statement	**58**	**1,097**	**363**	**1,113**
Foreign exchange adjustments of foreign entities	-1,882	-1,191	-2,754	-3,842
Fair value adjustments of hedging instruments	-217	-100	-640	-305
Income tax	-13	-11	85	25
Items that may be reclassified to the income statement	**-2,112**	**-1,302**	**-3,309**	**-4,122**
Other comprehensive income	**-2,054**	**-205**	**-2,946**	**-3,009**
Total comprehensive income	**1,195**	**-847**	**3,187**	**-944**
Attributable to:				
Non-controlling interests	407	298	855	499
Shareholders in Carlsberg A/S	788	-1,145	2,332	-1,443

STATEMENT OF FINANCIAL POSITION

DKK million	31 Dec. 2018	31 Dec. 2017
ASSETS		
Intangible assets	66,868	67,793
Property, plant and equipment	25,394	24,325
Financial assets	7,352	6,881
Total non-current assets	**99,614**	**98,999**
Inventories	4,435	3,834
Trade receivables	5,084	4,611
Other receivables etc.	2,978	3,345
Cash and cash equivalents	5,589	3,462
Total current assets	**18,086**	**15,252**
Total assets	**117,700**	**114,251**
EQUITY AND LIABILITIES		
Equity, shareholders in Carlsberg A/S	45,302	46,930
Non-controlling interests	2,587	2,595
Total equity	**47,889**	**49,525**
Borrowings	16,750	23,340
Deferred tax, retirement benefit obligations etc.	18,580	16,320
Total non-current liabilities	**35,330**	**39,660**
Borrowings	7,233	849
Trade payables	16,199	13,474
Deposits on returnable packaging materials	1,583	1,576
Other liabilities	9,466	9,167
Total current liabilities	**34,481**	**25,066**
Total equity and liabilities	**117,700**	**114,251**

STATEMENT OF CHANGES IN EQUITY

DKK million	Shareholders in Carlsberg A/S							
31 Dec. 2018	Share capital	Currency translation	Hedging reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2018	**3,051**	**-32,902**	**-581**	**-33,483**	**77,362**	**46,930**	**2,595**	**49,525**
Consolidated profit	**-**	**-**	**-**	**-**	**5,309**	**5,309**	**824**	**6,133**
Other comprehensive income	**-**	**-3,214**	**-140**	**-3,354**	**377**	**-2,977**	**31**	**-2,946**
Total comprehensive income for the year	**-**	**-3,214**	**-140**	**-3,354**	**5,686**	**2,332**	**855**	**3,187**
Acquisition/disposal of treasury shares	-	-	-	-	44	44	-	44
Settlement of share-based payments	-	-	-	-	-94	-94	-	-94
Share-based payments	-	-	-	-	171	171	3	174
Dividends paid to shareholders	-	-	-	-	-2,439	-2,439	-869	-3,308
Non-controlling interests	-	-	-	-	-1,642	-1,642	-	-1,642
Acquisition of entities	-	-	-	-	-	-	3	3
Total changes in equity	**-**	**-3,214**	**-140**	**-3,354**	**1,726**	**-1,628**	**-8**	**-1,636**
Equity at 31 December 2018	**3,051**	**-36,116**	**-721**	**-36,837**	**79,088**	**45,302**	**2,587**	**47,889**
31 Dec. 2017								
Equity at 1 January 2017	**3,051**	**-29,080**	**-611**	**-29,691**	**77,451**	**50,811**	**2,839**	**53,650**
Consolidated profit	**-**	**-**	**-**	**-**	**1,259**	**1,259**	**806**	**2,065**
Other comprehensive income	**-**	**-3,822**	**30**	**-3,792**	**1,090**	**-2,702**	**-307**	**-3,009**
Total comprehensive income for the year	**-**	**-3,822**	**30**	**-3,792**	**2,349**	**-1,443**	**499**	**-944**
Acquisition/disposal of treasury shares	-	-	-	-	-118	-118	-	-118
Settlement of share-based payments	-	-	-	-	-38	-38	-	-38
Share-based payments	-	-	-	-	33	33	-	33
Dividends paid to shareholders	-	-	-	-	-1,525	-1,525	-738	-2,263
Non-controlling interests	-	-	-	-	-790	-790	-2	-792
Disposal of entities	-	-	-	-	-	-	-3	-3
Total changes in equity	**-**	**-3,822**	**30**	**-3,792**	**-89**	**-3,881**	**-244**	**-4,125**
Equity at 31 December 2017	**3,051**	**-32,902**	**-581**	**-33,483**	**77,362**	**46,930**	**2,595**	**49,525**

STATEMENT OF CASH FLOWS

DKK million	H2 2018	H2 2017	2018	2017
Operating profit before special items	4,956	4,751	9,329	8,876
Depreciation, amortisation and impairment losses[1]	1,987	2,199	4,091	4,707
Operating profit before depreciation, amortisation and impairment losses[1]	**6,943**	**6,950**	**13,420**	**13,583**
Other non-cash items	97	-173	143	-279
Change in trade working capital	-132	-320	1,908	848
Change in other working capital[2]	-419	196	52	388
Restructuring costs paid	-44	-259	-238	-364
Interest etc. received	89	79	153	156
Interest etc. paid	-641	-582	-1,016	-564
Income tax paid	-1,113	-1,043	-2,375	-1,934
Cash flow from operating activities	**4,780**	**4,848**	**12,047**	**11,834**
Acquisition of property, plant and equipment and intangible assets	-2,392	-2,207	-4,017	-4,053
Disposal of property, plant and equipment and intangible assets	219	85	254	160
Change in on-trade loans[2]	78	47	-192	40
Total operational investments	**-2,095**	**-2,075**	**-3,955**	**-3,853**
Free operating cash flow	**2,685**	**2,773**	**8,092**	**7,981**
Acquisition and disposal of subsidiaries, net	-974	23	-974	268
Acquisition and disposal of associates and joint ventures, net	-1,491	-2	-1,491	242
Acquisition and disposal of financial investments, net	-	4	3	10
Change in financial receivables	3	-34	-36	-54
Dividends received	178	54	572	208
Total financial investments	**-2,284**	**45**	**-1,926**	**674**
Other investments in property, plant and equipment	-10	-	-10	-
Disposal of other property, plant and equipment	-	-	-	25
Total other activities[3]	**-10**	**-**	**-10**	**25**
Cash flow from investing activities	**-4,389**	**-2,030**	**-5,891**	**-3,154**
Free cash flow	**391**	**2,818**	**6,156**	**8,680**
Shareholders in Carlsberg A/S	3	-135	-2,489	-1,681
Non-controlling interests	-320	-285	-1,186	-740
External financing	-110	-4,382	-123	-5,239
Cash flow from financing activities	**-427**	**-4,802**	**-3,798**	**-7,660**
Net cash flow	**-36**	**-1,984**	**2,358**	**1,020**
Cash and cash equivalents at beginning of period	5,526	5,223	3,120	2,348
Foreign exchange adjustment of cash and cash equivalents	-56	-119	-44	-248
Cash and cash equivalents at period-end[4]	**5,434**	**3,120**	**5,434**	**3,120**

[1] Impairment losses excluding those reported in special items.
[2] Impacted by a reclassification of trade loans from other receivables of DKK 238m.
[3] Other activities cover real estate, separate from beverage activities.
[4] Cash and cash equivalents less bank overdrafts.

NOTE 1 (PAGE 1 OF 3)

SEGMENT REPORTING BY REGION

	Q4 2018	Q4 2017	H2 2018	H2 2017	2018	2017
Beer (million hl)						
Western Europe	10.5	10.2	24.4	22.8	47.3	46.1
Asia	6.6	5.7	16.6	15.0	34.4	31.2
Eastern Europe	6.6	6.6	15.6	15.3	30.6	29.8
Total	**23.7**	**22.5**	**56.6**	**53.1**	**112.3**	**107.1**
Other beverages (million hl)						
Western Europe	3.8	3.6	7.9	7.2	15.1	14.5
Asia	1.0	0.6	1.9	1.3	3.6	2.8
Eastern Europe	0.4	0.3	1.1	0.9	2.1	1.9
Total	**5.2**	**4.5**	**10.9**	**9.4**	**20.8**	**19.2**
Net revenue (DKK million)						
Western Europe	8,218	8,023	18,396	17,473	36,151	35,716
Asia	3,372	2,776	7,615	6,544	15,530	13,944
Eastern Europe	2,351	2,287	5,507	5,423	10,780	10,925
Not allocated	8	19	19	39	42	70
Beverages, total	**13,949**	**13,105**	**31,537**	**29,479**	**62,503**	**60,655**
Non-beverage	-	-	-	-	-	-
Total	**13,949**	**13,105**	**31,537**	**29,479**	**62,503**	**60,655**
Operating profit before depreciation, amortisation and special items (EBITDA, DKK million)						
Western Europe			3,823	3,700	7,152	7,037
Asia			2,178	2,093	4,412	4,320
Eastern Europe			1,459	1,517	2,893	2,982
Not allocated			-513	-320	-1,008	-682
Beverages, total			**6,947**	**6,990**	**13,449**	**13,657**
Non-beverage			-4	-40	-29	-74
Total			**6,943**	**6,950**	**13,420**	**13,583**
Operating profit before special items (DKK million)						
Western Europe			2,952	2,818	5,425	5,144
Asia			1,556	1,411	3,164	2,905
Eastern Europe			1,151	1,173	2,222	2,220
Not allocated			-694	-602	-1,443	-1,307
Beverages, total			**4,965**	**4,800**	**9,368**	**8,962**
Non-beverage			-9	-49	-39	-86
Total			**4,956**	**4,751**	**9,329**	**8,876**
Operating margin (%)						
Western Europe			16.0	16.1	15.0	14.4
Asia			20.4	21.7	20.4	20.8
Eastern Europe			20.9	21.6	20.6	20.3
Not allocated			...	...	...	...
Beverages, total			**15.7**	**16.3**	**15.0**	**14.8**
Non-beverage			...	...	...	...
Total			**15.7**	**16.1**	**14.9**	**14.6**

NOTE 1 (PAGE 2 OF 3)

SEGMENT REPORTING BY REGION

DKK million	2018	2017
Capital expenditure, CapEx		
Western Europe	1,948	1,837
Asia	1,164	1,212
Eastern Europe	547	716
Not allocated	347	83
Beverages, total	**4,006**	**3,848**
Non-beverage	21	205
Total	**4,027**	**4,053**
Amortisation and depreciation		
Western Europe	1,727	1,893
Asia	1,248	1,415
Eastern Europe	671	762
Not allocated	435	625
Beverages, total	**4,081**	**4,695**
Non-beverage	10	12
Total	**4,091**	**4,707**
CapEx/Amortisation and depreciation (%)		
Western Europe	113	97
Asia	93	86
Eastern Europe	82	94
Not allocated	...	...
Beverages, total	**98**	**82**
Non-beverage	...	...
Total	**98**	**86**

NOTE 1 (PAGE 3 OF 3)

SEGMENT REPORTING BY REGION

DKK million	2018	2017
Invested capital, year-end		
Western Europe	38,254	37,218
Asia	21,090	20,131
Eastern Europe	23,976	27,376
Not allocated	-1,696	-1,055
Beverages, total	**81,624**	**83,670**
Non-beverage	1,097	818
Total	**82,721**	**84,488**
Invested capital excl. goodwill, year-end		
Western Europe	17,440	16,489
Asia	5,040	6,197
Eastern Europe	9,911	11,542
Not allocated	-1,696	-1,055
Beverages, total	**30,695**	**33,173**
Non-beverage	1,097	818
Total	**31,792**	**33,991**
EBIT adjusted for effective tax		
Western Europe	4,053	3,735
Asia	2,365	2,080
Eastern Europe	1,785	1,711
Not allocated	-1,473	-1,168
Beverages, total	**6,730**	**6,358**
Non-beverage	-13	-56
Total	**6,717**	**6,302**
Return on invested capital, ROIC (%)		
Western Europe	10.8	9.9
Asia	11.8	9.9
Eastern Europe	7.0	5.1
Not allocated	...	...
Beverages, total	**8.2**	**7.0**
Non-beverage	...	...
Total	**8.1**	**6.9**
Return on invested capital excl. goodwill (%)		
Western Europe	24.4	21.9
Asia	44.0	31.2
Eastern Europe	17.1	10.2
Not allocated	...	...
Beverages, total	**21.4**	**16.0**
Non-beverage	...	...
Total	**20.9**	**15.7**

NOTE 2

SEGMENT REPORTING BY ACTIVITY

DKK million	H2 2018 Beverages	H2 2018 Non-beverage	H2 2018 Total	H2 2017 Beverages	H2 2017 Non-beverage	H2 2017 Total
Net revenue	**31,537**	**-**	**31,537**	**30,043**	**-**	**30,043**
Operating profit before special items	4,965	-9	4,956	4,800	-49	4,751
Special items, net	-51	-	-51	-4,653	50	-4,603
Financial items, net	-390	-2	-392	-435	-2	-437
Profit before tax	**4,524**	**-11**	**4,513**	**-288**	**-1**	**-289**
Income tax	-1,266	2	-1,264	-370	17	-353
Consolidated profit	**3,258**	**-9**	**3,249**	**-658**	**16**	**-642**
Attributable to:						
Non-controlling interests	411	-	411	403	-	403
Shareholders in Carlsberg A/S (net profit)	2,847	-9	2,838	-1,061	16	-1,045

DKK million	2018 Beverages	2018 Non-beverage	2018 Total	2017 Beverages	2017 Non-beverage	2017 Total
Net revenue	**62,503**	**-**	**62,503**	**60,655**	**-**	**60,655**
Operating profit before special items	9,368	-39	9,329	8,962	-86	8,876
Special items, net	-88	-	-88	-4,615	50	-4,565
Financial items, net	-718	-4	-722	-774	-14	-788
Profit before tax	**8,562**	**-43**	**8,519**	**3,573**	**-50**	**3,523**
Income tax	-2,395	9	-2,386	-1,485	27	-1,458
Consolidated profit	**6,167**	**-34**	**6,133**	**2,088**	**-23**	**2,065**
Attributable to:						
Non-controlling interests	824	-	824	806	-	806
Shareholders in Carlsberg A/S (net profit)	5,343	-34	5,309	1,282	-23	1,259

NOTE 3

SEGMENT REPORTING BY HALF-YEAR

DKK million	H1 2017	H2 2017	H1 2018	H2 2018
Net revenue				
Western Europe	18,243	17,473	17,755	18,396
Asia	7,400	6,544	7,915	7,615
Eastern Europe	5,502	5,423	5,273	5,507
Not allocated	31	39	23	19
Beverages, total	**31,176**	**29,479**	**30,966**	**31,537**
Non-beverage	-	-	-	-
Total	**31,176**	**29,479**	**30,966**	**31,537**
Operating profit before special items				
Western Europe	2,326	2,818	2,473	2,952
Asia	1,494	1,411	1,608	1,556
Eastern Europe	1,047	1,173	1,071	1,151
Not allocated	-705	-602	-749	-694
Beverages, total	**4,162**	**4,800**	**4,403**	**4,965**
Non-beverage	-37	-49	-30	-9
Total	**4,125**	**4,751**	**4,373**	**4,956**
Special items, net	38	-4,603	-37	-51
Financial items, net	-351	-437	-330	-392
Profit before tax	**3,812**	**-289**	**4,006**	**4,513**
Income tax	-1,105	-353	-1,122	-1,264
Consolidated profit	**2,707**	**-642**	**2,884**	**3,249**
Attributable to:				
Non-controlling interests	403	403	413	411
Shareholders in Carlsberg A/S (net profit)	2,304	-1,045	2,471	2,838

NOTE 4

SPECIAL ITEMS

DKK million	2018	2017
Special items, income:		
Gain on disposal of entities	42	402
Disposal of property, plant and equipment previously impaired, including adjustments to gains and reversal of provisions made in prior years	199	24
Reversal of impairment losses	49	216
Revaluation gain on step acquisition of entities	13	-
Income, total	**303**	**642**
Special items, expenses:		
Impairment of brands	-	-4,847
Loss on disposal of entities and activities	-	-102
Restructuring in Western Europe	-263	-209
Impairment losses in Western Europe	-60	-
Restructuring in Asia	-54	-
Costs related to acquisition of entities	-9	-
Other	-5	-49
Expenses, total	**-391**	**-5,207**
Special items, net	**-88**	**-4,565**

NOTE 5

NET FINANCIAL EXPENSES

DKK million	H2 2018	H2 2017	2018	2017
Financial income				
Interest income	83	74	153	144
Foreign exchange gains, net	-14	25	36	192
Interest on plan assets, defined benefit plans	155	152	155	152
Other	3	13	14	23
Total	**227**	**264**	**358**	**511**
Financial expenses				
Interest expenses	-287	-350	-579	-775
Capitalised financial expenses	5	3	10	4
Interest cost on obligations, defined benefit plans	-199	-207	-232	-250
Other	-138	-147	-279	-278
Total	**-619**	**-701**	**-1,080**	**-1,299**
Financial items, net, recognised in the income statement	**-392**	**-437**	**-722**	**-788**

NOTE 6

DEBT AND CREDIT FACILITIES

DKK million Time to maturity for non-current borrowings	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	31 Dec. 2018 Total
Issued bonds	-	-	5,580	3,705	7,412	16,697
Bank borrowings	21	-5	13	6	-	35
Other non-current borrowings	-	-	2	1	15	18
Total	**21**	**-5**	**5,595**	**3,712**	**7,427**	**16,750**

DKK million Currency split of net financial debt 31 Dec. 2018	
EUR	16,436
DKK	1,279
Other currencies	679
Total	**18,394**

DKK million Committed credit facilities	31 Dec. 2018
< 1 year	8,764
1-2 years	21
2-3 years	15,004
3-4 years	5,595
4-5 years	3,712
> 5 years	7,427
Total	**40,523**
Current	8,764
Non-current	**31,759**

NOTE 7

NET INTEREST-BEARING DEBT

DKK million	H2 2018	H2 2017	2018	2017
Net interest-bearing debt is calculated as follows:				
Issued bonds			16,697	22,215
Bank borrowings			35	21
Other non-current borrowings			18	1,104
Total non-current borrowings			**16,750**	**23,340**
Issued bonds			5,602	-
Current portion of other non-current borrowings			-	36
Bank borrowings			526	773
Other current borrowings			1,105	40
Total current borrowings			**7,233**	**849**
Gross financial debt			**23,983**	**24,189**
Cash and cash equivalents			-5,589	-3,462
Net financial debt			**18,394**	**20,727**
Loans to associates, interest-bearing portion			-325	-290
On-trade loans, net			-717	-764
Other receivables, net			-39	-35
Other interest-bearing assets, net			**-1,081**	**-1,089**
Net interest-bearing debt			**17,313**	**19,638**
Changes in net interest-bearing debt:				
Net interest-bearing debt at beginning of period	**17,258**	**21,852**	**19,638**	**25,503**
Cash flow from operating activities	-4,780	-4,848	-12,047	-11,834
Cash flow from investing activities	1,924	2,051	3,426	3,664
Cash flow from acquisitions	2,554	-19	2,820	-508
Dividend to shareholders and non-controlling interests	231	287	3,270	2,263
Acquisition/disposal of treasury shares and settlement of share-based payments	-4	135	50	156
Acquired net interest-bearing debt from acquisition of subsidiaries	-	-	-	18
Change in interest-bearing lending	14	18	18	44
Effects of currency translation	99	190	142	360
Other	17	-28	-4	-28
Total change	**55**	**-2,214**	**-2,325**	**-5,865**
Net interest-bearing debt, end of period	**17,313**	**19,638**	**17,313**	**19,638**

All borrowings are measured at amortised cost.

NOTE 8

ACQUISITION OF ENTITIES

In August 2018, Carlsberg gained control of Cambrew Group (Cambodia) through the acquisition of an additional 25% of the shares, giving Carlsberg a 75% ownership interest.

The step acquisition of Cambrew Group was carried out to obtain control of the business in order to further strengthen the Group's presence in Asia. The consideration for the acquisition is contingent on the exercise of a fixed-price put option granted to the 25% non-controlling interests and an earn-out depending on net revenue in 2021 or 2022. The revaluation of the equity interest held before the acquisition resulted in a gain of DKK 13m being recognised in special items.

The calculated goodwill represents staff competences and synergies from expected optimisations of sales and distribution, supply chain and procurement. The Group expects to increase Cambrew's market share in a beer market that holds significant growth opportunities.

The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities is ongoing. Adjustments are therefore expected to be made to several items in the opening balance, including to brands and property, plant and equipment. The accounting treatment of the acquisition will be completed within the 12-month period required by IFRS.

The Group did not complete any acquisitions of entities in 2017.

DKK million	2018
Consideration paid	1,349
Fair value of contingent consideration	1,061
Fair value of previously held investment	843
Total cost of acquisition	**3,253**
Provisional fair values	
Intangible assets	2,047
Property, plant and equipment	1,482
Financial assets	46
Inventories	102
Trade and other receivables	85
Cash and cash equivalents	353
Provisions and retirement benefits	-393
Deferred tax liabilities	-129
Trade payables	-254
Other payables	-83
Acquired assets and liabilities	**3,256**
Non-controlling interests	-3
Acquired assets and liabilities attributable to shareholders in Carlsberg A/S	**3,253**

APPENDIX 1

COMPANY ANNOUNCEMENTS IN 2018

07/02/2018	Financial statement as at 31 December 2017
08/02/2018	Notice to convene the Annual General Meeting
12/02/2018	Carlsberg A/S Annual Report 2017
14/03/2018	Carlsberg A/S – Annual General Meeting – Summary
01/05/2018	Q1 2018 Trading Statement
07/05/2018	Nancy Cruickshank to step down from the Supervisory Board to assume an operational role in Carlsberg
16/08/2018	Financial statement as at 30 June 2018
24/10/2018	Upgrade of 2018 earnings expectations
01/11/2018	Q3 2018 Trading Statement