

# Carlsberg A/S

Full-year 2015 results



# Agenda

Preparing for the future

Financial results

Region performance

Appendix



# Preparing for the future

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## Funding the Journey

- Two year programme aiming at delivering DKK 1.5-2.0bn benefits:
  - Profit improvement
  - Financial flexibility to fund SAIL'22 initiatives
- Restructuring and impairment of DKK 10bn
- Embedding value management and efficiency improvement tools

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## SAIL'22

- Revised strategy to be announced 16 March 2016
- Building on the core strengths of the Carlsberg Group
  - Geographic diversity
  - Our strong no. 1 or 2 positions
  - Strong brand portfolio

# Funding the Journey progressing as expected

## Value management

- Metrics for successful execution have been defined and included in 2016 budgeting
- Follow-up process to monitor progress initiated

## Supply chain efficiency

- Supply chain savings have been identified in detail
- BSP1 value realisation being executed
- Complexity reduction being scoped

## Operating expense efficiency

- 1700 employees out of expected 2000 have been notified
- Operating cost management fully operational in Asia and Eastern Europe
- Outsourcing of shared services on track

## Right-sizing of businesses

- Russia: Capacity reduction in 4 breweries and employees reduction
- China: 5 breweries closed in 2015 and additional 2 in 2016
- UK: Restructuring on track with consultation phase concluded
- Disposal of Leeds and Tuborg sites (2015); and Danish Malting Group (2016)



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# Financial highlights

## 2015 highlights

- Organic beer volumes -4%
- Organic net revenue growth +2%
- Price/mix of +5%
- Organic operating profit down 7%
- Adj. net result decline of 17%
- Strong free cash flow of DKK 7.5bn
- Significant DKK 5.7bn debt reduction
- Proposed dividend of DKK 9 per share corresponding to a 30% pay-out

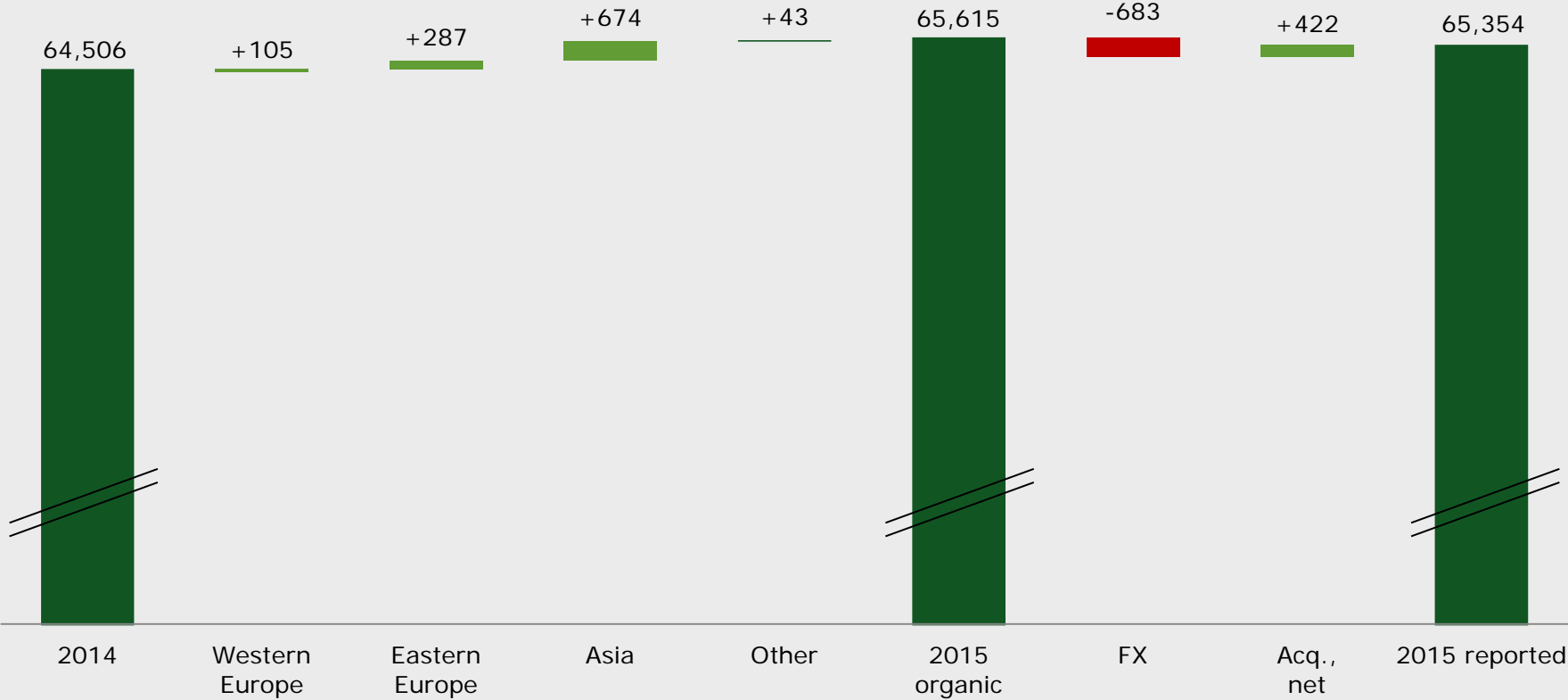
## Q4 highlights

- Organic beer volumes -4%
- Organic net revenue growth +5%
- Price/mix of +6%
- Organic operating profit down 23%



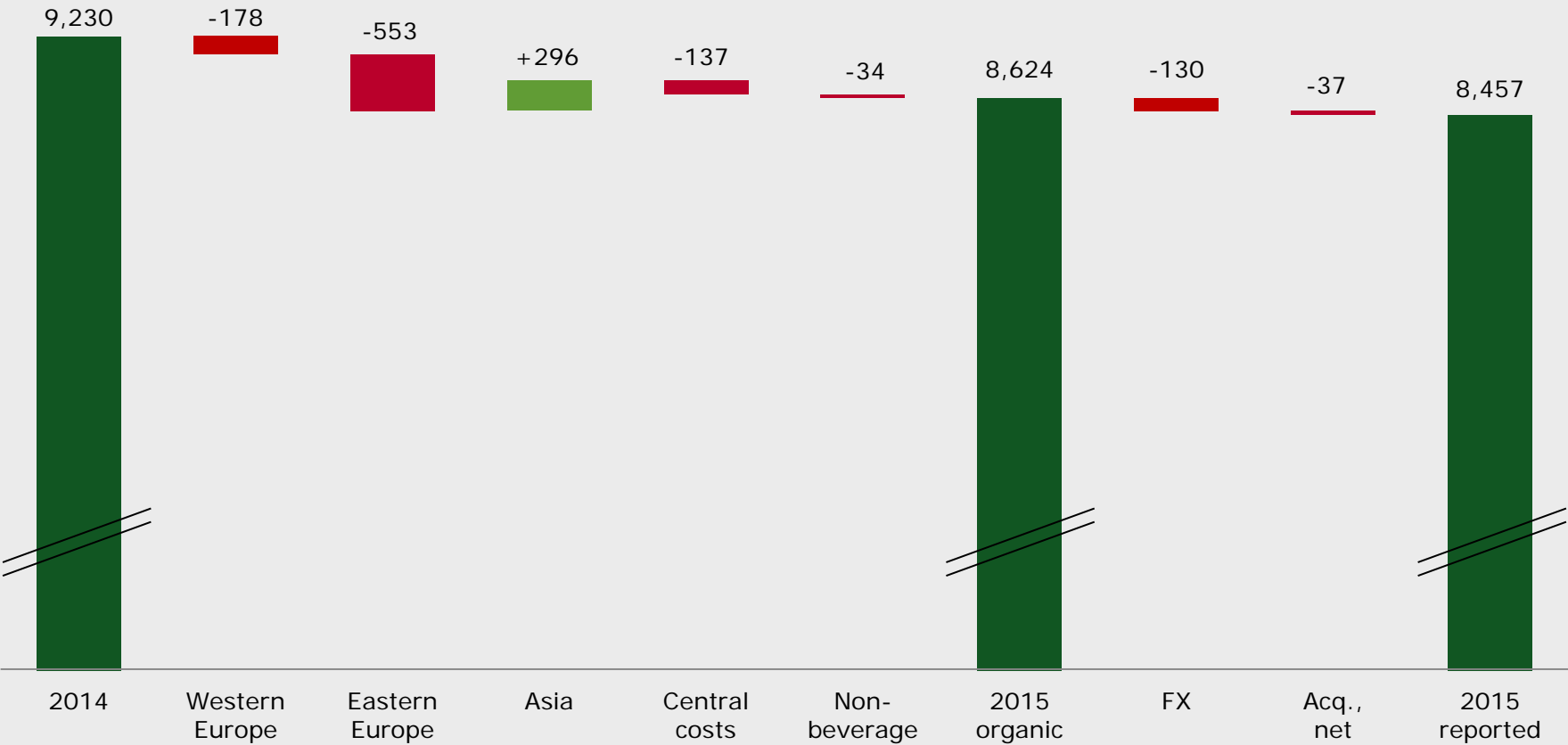
# Group net revenue

DKKm



# Group operating profit

DKKm





# Income statement – key points

Gross profit/hl

**+4%**

Organic growth per hl,  
driven by positive net  
revenue/hl

Organic operating  
expenses

**up 3%**

Mainly driven by sales  
and marketing  
investments



Special items

**DKK -8.7bn**

Impacted by initiatives  
related to *Funding the  
Journey*

Net financials

**DKK -1,531m**

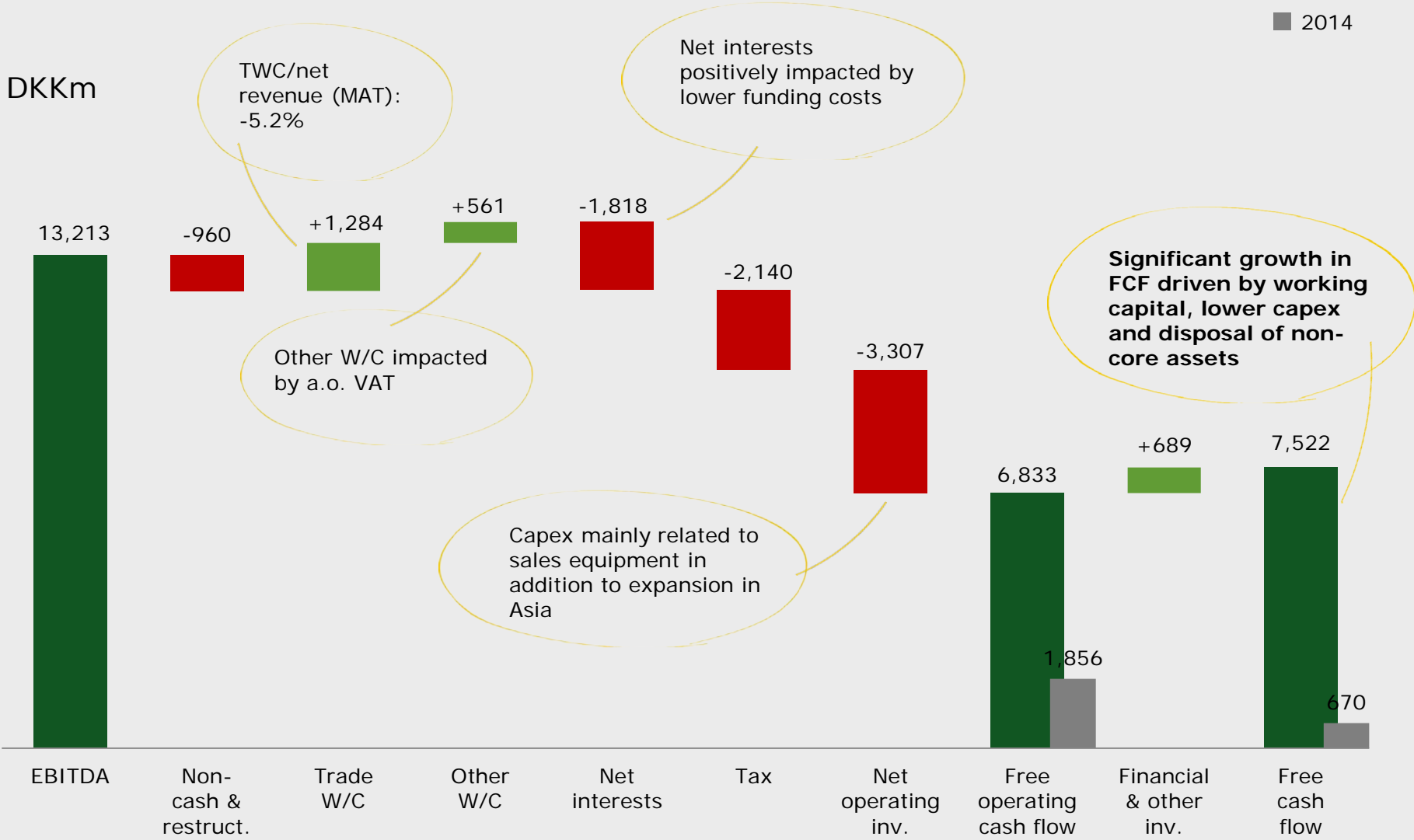
Interests:  
DKK -1,086m (-8%)  
Other financial items:  
DKK -445m

Adj. net profit

**DKK 4,557m**

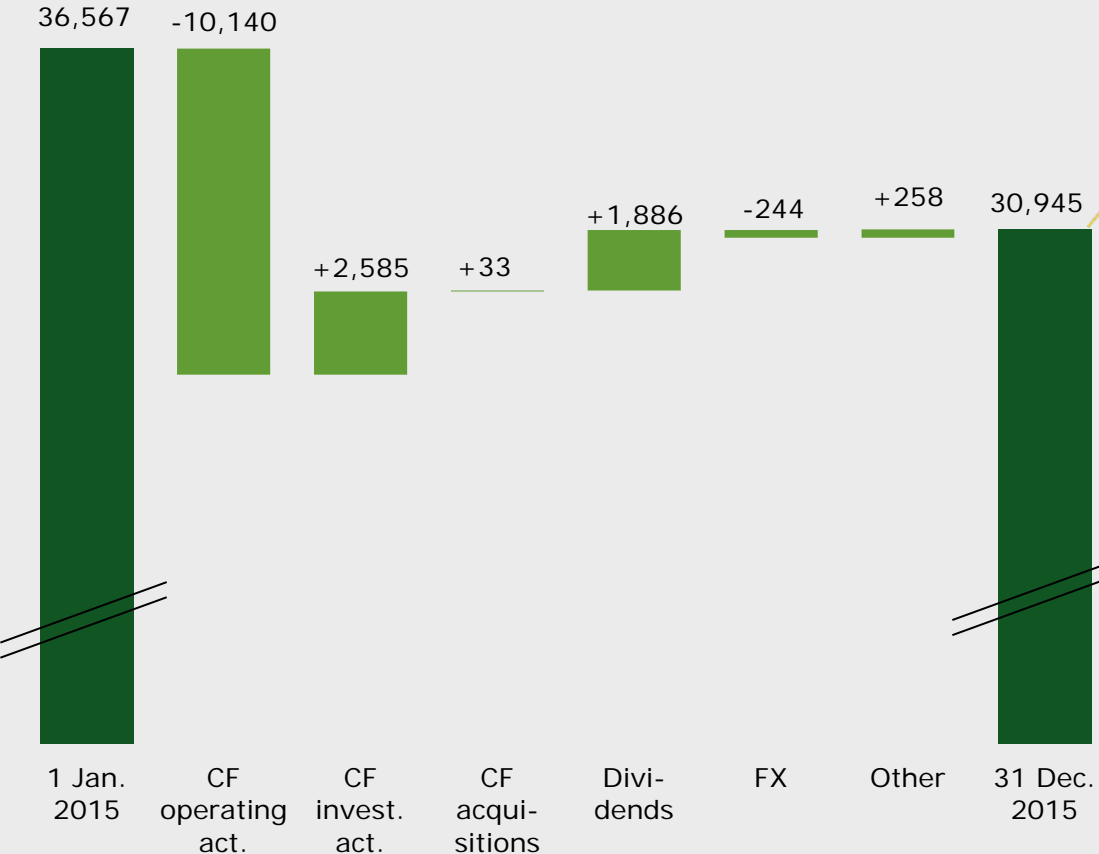
Impacted by lower  
operating profit and net  
financials

# Cash flow



# Net interest-bearing debt

DKKm



As per 31 Dec. 2015

- NIBD/EBITDA: 2.3x
- Long-term gross financial debt: 87%
- Net financial debt @ fixed rates: 79%

# Invested capital & ROIC

Invested capital (year-end) DKKm	2015	2014
Western Europe	35,285	35,004
Eastern Europe	29,138	40,793
Asia	23,901	25,456
<b>Group</b>	<b>90,102</b>	<b>104,006</b>

- Invested capital impacted by FX, reducing invested capital in Eastern Europe but increasing it in Western Europe and Asia
- Invested capital in Asia impacted by the Eastern Assets impairment and in Russia by impairment of brands

ROIC incl. goodwill %	2015	2014
Western Europe	14.4	15.3
Eastern Europe	5.0	5.6
Asia	10.4	9.7
<b>Group</b>	<b>8.1</b>	<b>8.0</b>

- ROIC growth in Asia offset by lower EBIT in Eastern Europe and Western Europe



# 2016 outlook

- Key focus to execute *Funding the Journey* and start implementing SAIL'22
- 2016 financial expectations
  - Low single-digit percentage organic operating profit growth
  - Financial leverage reduction
- A translation impact on operating profit of around DKK -600m
- Underlying tax rate of 28%
- All-in interest costs of 4.5%
- Capital expenditures of around DKK 4bn (approx. index 85 to depreciations)



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# Western Europe

- Flat beer markets
  - Market share growth in majority of markets
- Beer volumes flat organically (Q4: -2%)
  - Strong performance in France, Norway, Italy and SE Europe
- Net revenue flat organically (Q4: 2%)
  - Price/mix flat in spite of difficult environment; improvement in Q4
- Slight organic decline in profitability due to higher sales and marketing costs and lack of anticipated savings
- Operating margin down 80bp to 13.7% (Q4: +10bp)

DKKm	2015	Organic growth	Reported growth
Beer volume	50.2	0%	0%
Net revenue	39,000	0%	3%
Operating profit	5,325	-3%	-3%
Operating margin	13.7%	-	-



# Western Europe – Market comments

## The Nordics

- 3% volume decline in overall market down 2% due to bad weather during summer
- Solid market share performance achieved through sales execution and growth of speciality category

## France

- 6% volume growth in a market growing by 3%
- Successful launch of non-alcoholic Tourtel Twist
- Kronenbourg 1664, Grimbergen and Skøll Tuborg continue their positive performance

## Poland

- Positive volume & value share in a market growing by 1%
- Increased competition, promotional pressure and negative channel mix
- Good performance by Kasztelan and 30% volume growth of Somersby

Good performance in craft & specialty segment in many markets

## UK

- 7% volume decline in a market declining by 2%
- Negative volume, but positive price/mix impact from lost customer
- Increased visibility of the Carlsberg brand following revitalisation

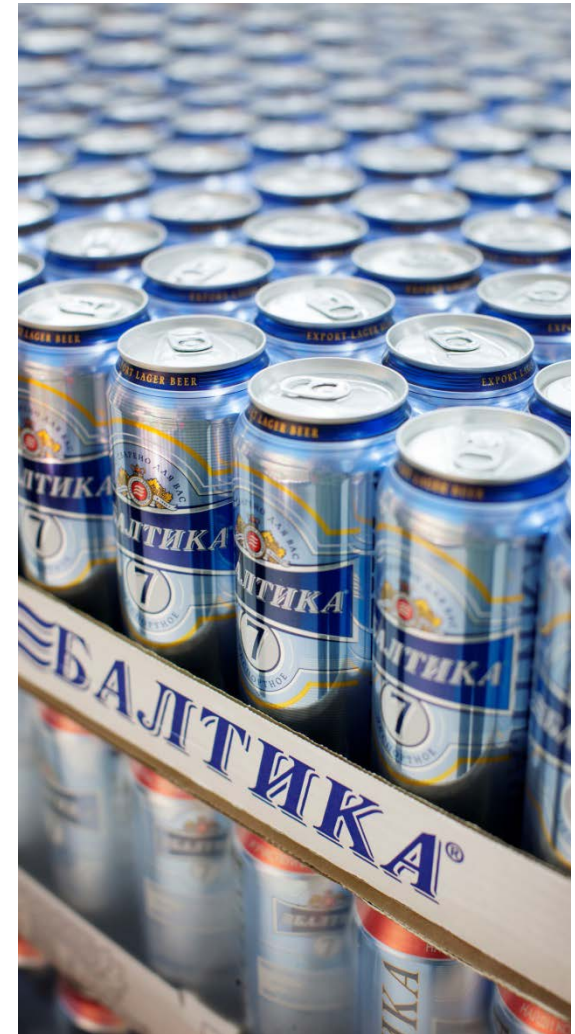




# Eastern Europe

- Challenging macro environment
  - Declining regional market share
- Group regional volumes declined by 14% (Q4: -9%)
- 2% organic net revenue growth (Q4: +12%)
  - Strong price/mix of 16%
- Gross profit/hl +10% (Q4: +2%)
- Operating profit decline due to lower volumes, higher sales and marketing investments, and negative currency impact

DKKm	2015	Organic growth	Reported growth
Beer volume	32.3	-14%	-14%
Net revenue	10,963	2%	-22%
Operating profit	1,908	-19%	-36%
Operating margin	17.4%	-	-



# Eastern Europe – Market comments

## Russia

- Challenging macro environment and consumer sentiment
- Our volumes declined by 17%
  - Destocking at distributors due to channel shift from traditional to modern trade
  - Market share negatively impacted by price leadership during the summer
- Brewery restructuring

In 2015, Russia's share of Group operating profit was 16%

## Ukraine

- Very challenged market due to recession
- Tax increase in January 2016 led to some stocking in Q4
- Strong market share performance, mainly due to the Lvivske brand

## Kazakhstan

- Strong volume growth
- Improved market share
  - Relaunch of Irbis sub-brands
  - Packaging innovations



- Lower overall market growth due to China
  - Positive market share development
- Strong performance of Tuborg and local power brands
- Beer volumes up 2% organically (Q4: -1%)
- 5% organic net revenue growth (Q4: +3%)
  - Price/mix of 1% (Q4: -1%)
- 13% organic operating profit growth (Q4: +6%)
  - Top-line growth
  - Tight cost control

DKKm	2015	Organic growth	Reported growth
Volume	37.8	+2%	+8%
Net revenue	15,339	+5%	+23%
Operating profit	2,799	+13%	+27%
Operating margin	18.2%	-	-



# Asia – Market comments

## Indochina

- 3% beer volume growth
- Strong growth of Angkor in Cambodia
- Flat volumes in Vietnam

## China

- 2% organic volume decline in market down mid-single-digit
- Strong growth of international premium brands: Tuborg (+50%) and 1664 (~60%)

## India

- 42% organic volume growth
- 15% market share
- Tuborg #2 brand in market
- Turned profitable in 2015



## Nepal

- Positive volume and earnings growth

## Myanmar

- Brewery start-up in May
- Launch of Yoma and Tuborg brands

Operating profit from Asia increased more than 5x from 2008 to 2015

# Q&A



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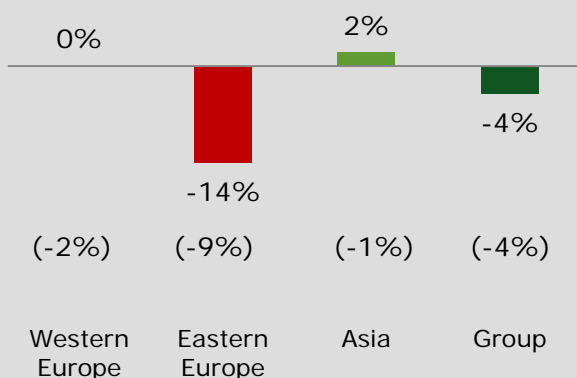


# Income statement

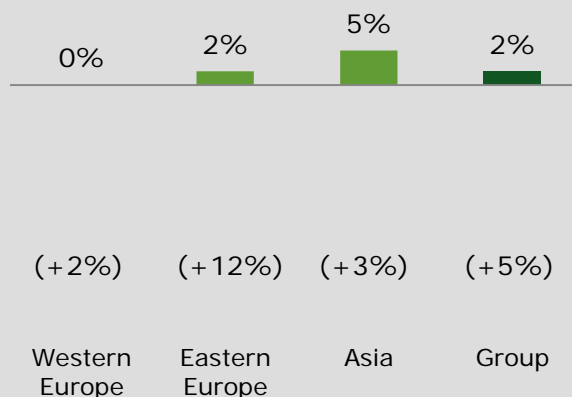
DKKm	2014	Organic	Acq., net	FX	2015
Net revenue	64,506	1,110	422	-684	65,354
Gross profit	31,781	396	151	-403	31,925
Operating expenses incl. brands marketing	-23,328	-796	-178	235	-24,067
Other income, net.	777	-206	-10	38	599
<b>Operating profit before special items (EBIT)</b>	<b>9,230</b>	<b>-606</b>	<b>-37</b>	<b>-130</b>	<b>8,457</b>
- Brewing	9,345	-572	-37	-130	8,606
- Other activities	-115	-34	-	-	-149
EBITDA	13,338	87	26	-238	13,213

# Key figures (Q4)

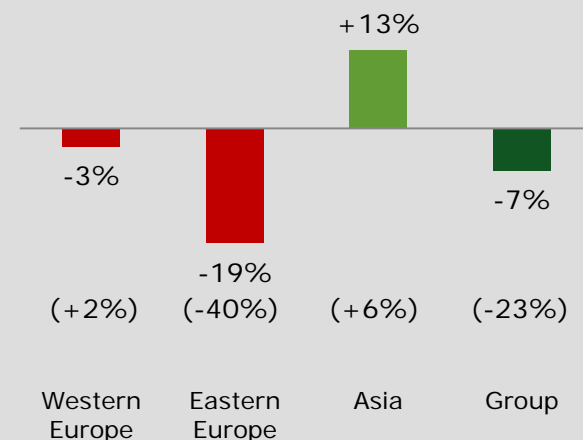
## Beer volume, pro rata Organic growth



## Net revenue Organic growth



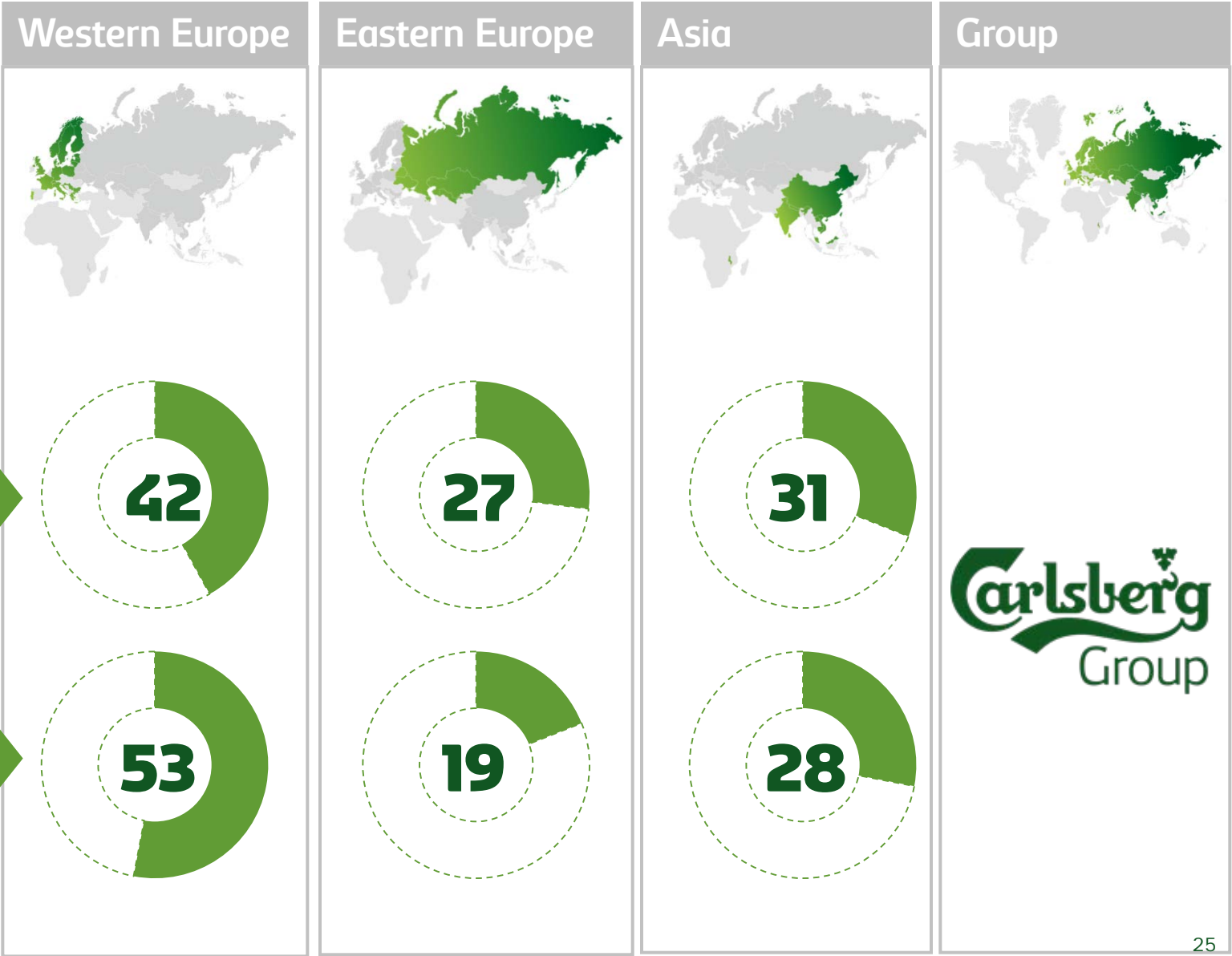
## Operating profit Organic growth



Price/mix	1%	+16%	+1%	+5%				
FX	+2%	-24%	+16%	-1%	0%	-17%	+17%	-1%
Reported	+3%	-22%	+23%	+1%	-3%	-36%	+27%	-8%

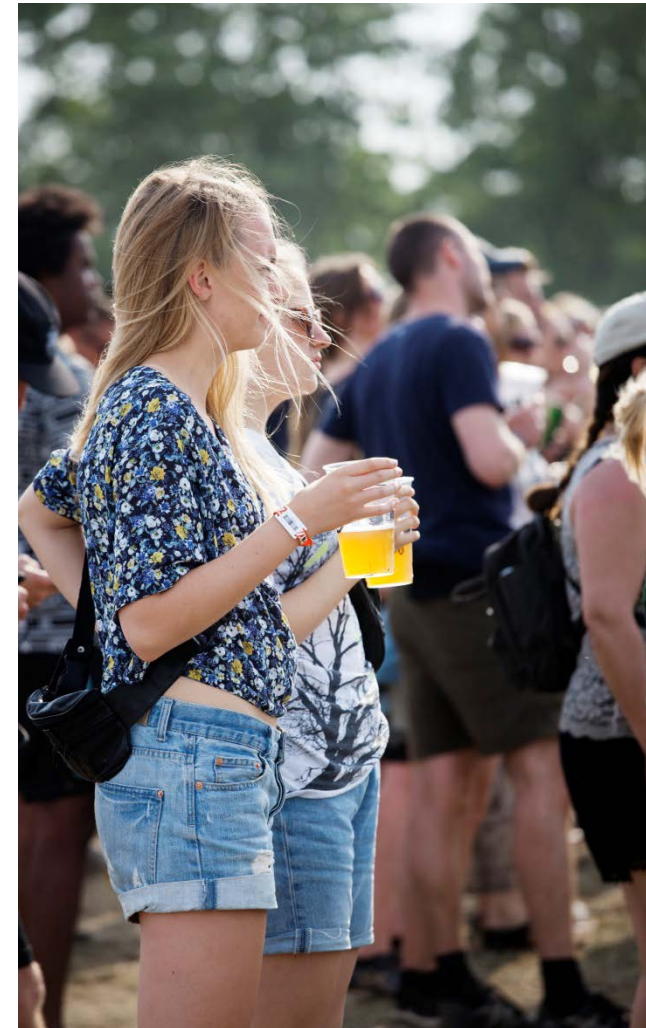


# Three regions



## Financial calendar 2016

Annual report	24 February
AGM	17 March
Trading statement for Q1	11 May
Interim results for Q2	17 August
Trading statement for Q3	9 November



## Forward-looking statements

This presentation 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.