Carlsberg Group

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FINANCIAL STATEMENT AS AT 31 DECEMBER 2017

Strong set of results; proposed dividend increase of 60%

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

HIGHLIGHTS

- Our efficiency programme, Funding the Journey, delivered accumulated benefits of around DKK 1.7bn for 2016 and 2017 (2017: DKK 1.2bn). Total benefits are now expected to reach around DKK 2.3bn by 2018 (previously around DKK 2bn).
- Reported net revenue of DKK 61,808m; organic net revenue growth of 1%
  - Solid +3% price/mix improvement with good progress across all regions.
- Total volumes down organically by 2%, impacted by the PET downsizing in Russia.
  - Tuborg volume growth +3%, Carlsberg +1%, Grimbergen +15% and 1664 Blanc +46%.
  - Craft & speciality volume growth +29%, alcohol-free brew volume in Western Europe +15%.
- Organic operating profit growth of 8.4%; reported growth of 7.7% to DKK 8,876m.
  - Operating margin +120bp to 14.4%; improvement in all three regions.
- Adjusted net profit growth of 27% to DKK 4,925m. Reported net profit of DKK 1,259m (2016: DKK 4,486m), impacted by special items, including a DKK 4.8bn impairment of the Baltika brand.
- Strong free cash flow of DKK 8.7bn (2016: DKK 8.6bn).
  - Net interest-bearing debt/EBITDA reduced to 1.45x.
- ROIC improvement of 100bp to 6.9%. Excluding goodwill, improvement of 300bp to 15.7%.
- For 2017, the Supervisory Board will propose a 60% increase in dividend to DKK 16.0 per share in light of the reduced financial leverage. This corresponds to an adjusted payout ratio of 50%.

2018 EARNINGS EXPECTATIONS

- Mid-single-digit percentage organic growth in operating profit.
- A translation impact on operating profit of around DKK -450m, based on the spot rates as at 6 February.

CEO Cees 't Hart says: "We delivered a strong set of results for 2017, fuelled by disciplined execution of our efficiency programme – Funding the Journey – which we now believe will deliver around DKK 2.3bn, well above our initial expectations of DKK 1.5-2.0bn. During the year, we invested DKK 500m in our strategic growth priorities, which should lead to healthy and sustainable top- and bottom-line growth going forward.

"The earnings delivery and strong cash flow significantly reduced financial leverage. On this basis, we're pleased that the Supervisory Board will recommend an increase in dividends of 60% to DKK 16, and by that reaching our target of a 50% adjusted payout ratio."

Carlsberg will present the results at a conference call today at 9.00 am 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		2017	2016	2015	2014	2013
Sales volumes, pro rata (million hl)						
Beer		112.4	116.9	120.3	122.8	119.7
Other beverages		20.9	21.9	21.5	21.0	19.7
Income statement						
Net revenue		61,808	62,614	65,354	64,506	64,350
Gross profit		31,483	31,419	31,925	31,781	32,930
Operating profit before amortisation, depreciation and impairment losses		13,583	13,006	13,213	13,338	13,592
Operating profit before special items		8,876	8,245	8,457	9,230	9,723
Special items, net		-4,565	251	-8,659	-1,353	-435
Financial items, net		-788	-1,247	-1,531	-1,191	-1,506
Profit before tax		3,523	7,249	-1,733	6,686	7,782
Corporation tax		-1,458	-2,392	-849	-1,748	-1,833
Consolidated profit		2,065	4,857	-2,582	4,938	5,949
Attributable to:						
Non-controlling interests		806	371	344	524	478
Shareholders in Carlsberg A/S		1,259	4,486	-2,926	4,414	5,471
Shareholders in Carlsberg A/S (adjusted)[1]		4,925	3,881	4,292	5,496	5,772
Statement of financial position						
Total assets		114,251	126,906	124,901	137,458	152,308
Invested capital		84,488	96,089	94,950	108,866	122,243
Invested capital excluding goodwill		33,991	43,225	44,680	56,319	65,893
Interest-bearing debt, net		19,638	25,503	30,945	36,567	34,610
Equity, shareholders in Carlsberg A/S		46,930	50,811	43,489	52,437	67,811
Statement of cash flows						
Cash flow from operating activities		11,834	9,329	10,140	7,405	8,142
Cash flow from investing activities		-3,154	-713	-2,618	-6,735	-8,012
Free cash flow		8,680	8,616	7,522	670	130
Investments						
Acquisition and disposal of property, plant and equipment, net		-3,868	-3,596	-2,922	-5,647	-5,451
Acquisition and disposal of subsidiaries, net		268	1,969	-33	-1,681	-2,314
Financial ratios						
Operating margin	%	14.4	13.2	12.9	14.3	15.1
Return on invested capital (ROIC)[2]	%	6.9	5.9	5.6	5.8	6.0
ROIC excluding goodwill[2]	%	15.7	12.7	11.0	10.7	10.6
Equity ratio	%	41.1	40.0	34.8	38.3	45.2
Debt/equity ratio (financial gearing)	x	0.40	0.48	0.66	0.65	0.48
Debt/operating profit before depreciation and amortisation	x	1.45	1.96	2.34	2.74	2.55
Interest cover	x	11.26	6.61	5.53	7.75	6.46
Stock market ratios						
Earnings per share (EPS)	DKK	8.3	29.4	-19.2	28.9	35.9
Earnings per share, adjusted (EPS-A)[1]	DKK	32.3	25.4	28.1	36.0	37.8
Cash flow from operating activities per share (CFPS)	DKK	77.6	61.2	66.3	48.4	53.4
Free cash flow per share (FCFPS)	DKK	56.9	56.5	49.2	4.4	0.9
Dividend per share (proposed)	DKK	16.0	10.0	9.0	9.0	8.0
Payout ratio	%	194	34	n.m.	31	22
Payout ratio, adjusted[1]	%	50	39	32	25	21
Share price (B shares)	DKK	745.0	609.5	612.5	478.8	600.0
Number of shares (year-end, excl. treasury shares)	1,000	152,390	152,552	152,552	152,538	152,533
Number of shares (average, excl. treasury shares)	1,000	152,496	152,552	152,542	152,535	152,548

[1] Adjusted for special items after tax.

[2] 12-month average.

STRONG EXECUTION OF FUNDING THE JOURNEY AND INVESTMENT IN SAIL'22 PRIORITIES

2017 was a year of executing Funding the Journey and investing in SAIL'22. At the outset of the year, we defined the overall priorities: create the financial room (Funding the Journey) to improve shareholder value, and invest in the future growth of the Group (SAIL'22).

Funding the Journey expected to deliver around DKK 2.3bn

The programme progressed very well in 2017 and was a key driver of the organic operating profit growth and margin improvement. The programme delivered benefits of approx. DKK 1.2bn in 2017 on top of the approx. DKK 0.5bn delivered in 2016.

The programme has been more successful than originally expected. Consequently, we now expect the total benefits to be around DKK 2.3bn by end-2018, compared to the most recent expectations of around DKK 2bn. We expect more than 50% of the benefits will improve operating profit and margins and less than 50% will be reinvested in the business. The earnings improvement has already been witnessed in 2016 and 2017, and delivery of the remaining Funding the Journey benefits will be an important driver of the expected profit improvement in 2018 as well.

Funding the Journey covers the areas of value management, supply chain efficiency, operating expense efficiency and right-sizing of businesses. As a specific programme, Funding the Journey will reach its conclusion by the end of 2018. However, the focus on efficiency and costs will remain and is being embedded into business operations and procedures across the Group.

Good progress of SAIL'22

SAIL'22 is progressing according to plan. The strategy was designed to get the Carlsberg Group back to growth by taking action in relation to our portfolio, capabilities and culture. Significant investments were made in support of our well-defined strategic priorities, especially during the second half of the year. For the full year, incremental investments amounted to approx. DKK 500m.

During the year, many activities were carried out. Actions in relation to our portfolio included the further support of our craft & speciality portfolio, which achieved overall volume growth of 29%. This was supported in particular by very strong results for Grimbergen, which was up 15%, and 1664 Blanc, which grew by 46%. Our alcohol-free brews had a strong year in Western Europe, growing by 15%, supported by good results for a number of local propositions, such as Carlsberg Nordic in Denmark, Švyturys Go in Lithuania and 1664 Blanc San Alcool in France. We accelerated the roll-out of DraughtMaster™, our proprietary draught system which is a key enabler for our premiumisation effort and for regaining on-trade momentum in Western Europe. In Asia, we continued the support of Tuborg, which once again proved its popularity with consumers.

Within capabilities, we introduced a new segmentation methodology – demand spaces – that is now being embedded across our markets. We increased our professionalism within value management and improved the alignment of our technology and innovation agenda.

We are making good progress in developing a performance-driven culture, supported by the implementation of systematic and critical management reviews, aligning Company targets with incentives across the Group and improving our management development.

In June, we launched a new sustainability programme, Together Towards ZERO, with ambitious targets within four areas: carbon footprint, water waste, irresponsible drinking and health & safety. A number of initiatives under the programme were launched in the second half of 2017. For instance, our Swedish brewery became 100% powered by biogas and green electricity, resulting in zero carbon emissions from its energy consumption, and in China we stopped using coal as a source of thermal energy at nine breweries. We achieved reductions of 3% in energy consumption (kWh/hl), 6% in CO_2 emissions (kg CO_2/hl) and 3% in water consumption (hl/hl).

Strong delivery of SAIL'22 financial priorities

The Group delivered well against the financial metrics of SAIL'22 in 2017.

Organic growth in operating profit: The Group delivered 8.4% organic operating profit growth, which was in line with the upgraded guidance from our Q3 announcement.

ROIC improvement: ROIC (based on rolling 12 months) improved by 100bp to 6.9%, driven by the organic growth in operating profit after tax and lower capital employed.

Optimal capital allocation: Net interest-bearing debt/EBITDA declined substantially to 1.45x (2016: 1.96x) due to the strong free cash flow. As a result, the Supervisory Board will propose a 60% increase in dividend per share to DKK 16 (2016: DKK 10), corresponding to a payout ratio of 50% of adjusted net profit (2016: 39%). This is in line with our capital allocation principle of a payout ratio of 50% when leverage is well below net interest-bearing debt/EBITDA of 2.0x.

Execution of 2017 regional priorities

The Group also delivered according to plan on the regional financial priorities for 2017, namely: improving margins and operating profit in Western Europe; continuing top-line and earnings growth in Asia; and organic growth in operating profit in Eastern Europe.

In *Western Europe*, the operating margin improved by 130bp to 14.2% and organic operating profit grew by 7.5%.

The *Asia* region delivered organic revenue growth of 5% due to a strong price/mix. Organic operating profit growth was 8.1%.

The *Eastern Europe* business delivered 12.2% organic operating profit growth and an operating margin improvement of 240bp to 20.4%.

Supervisory Board changes

At the AGM in March 2017, Nancy Cruickshank joined the Supervisory Board, replacing Elisabeth Fleuriot. At the upcoming AGM in March 2018, Kees van der Graaf is not standing for re-election. The Supervisory Board will propose Magdi Batato, Head of Operations at Nestlé, as a new member.

Structural changes

During 2017, the Group continued to streamline its portfolio of businesses, concluding the following transactions:

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

At the beginning of 2018, the Group concluded the following transaction:

- Acquisition of the remaining 49% of Olympic Brewery in Greece.

2018 EARNINGS EXPECTATIONS REFLECT FOCUS ON TOP-LINE GROWTH AND TIGHT COST CONTROL

In 2016 and 2017, the key focus was the delivery of Funding the Journey to create the financial flexibility to invest in the business. In 2018, we will strengthen the focus on revenue growth while maintaining a sharp focus on costs and delivering on the remaining Funding the Journey benefits. We will also continue to exercise strict cash flow discipline.

At regional level, we have the following priorities for 2018: continued improvement in margins and operating profit in Western Europe; accelerating organic growth in Asia through premiumisation; and rebalancing the focus towards top-line growth in Eastern Europe.

Based on these priorities, for 2018 the Group expects to deliver:

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

Due to the recent strength of DKK against most currencies, we assume a negative translation impact of around DKK -450m for 2018 (based on the spot rates at 6 February).

Other relevant assumptions are:

Financial expenses, excluding currency losses or gains and fair value adjustments, are expected to be around DKK 800m.

The effective tax rate is expected to be below 29%.

Capital expenditures at constant currencies are expected to be around DKK 4.5bn.

GROUP FINANCIAL PERFORMANCE

		Change				Change
	2016	Organic	Acq., net	FX	2017	Reported
H2						
Pro rata (million hl)						
Beer	57.8	-3%	-1%		55.7	-4%
Other beverages	11.0	0%	-6%		10.2	-6%
Total volume	68.8	-2%	-2%		65.9	-4%
DKK million						
Net revenue	31,371	0%	-2%	-2%	30,043	-4%
Operating profit	4,797	3.4%	-1.5%	-2.9%	4,751	-1.0%
Operating margin (%)	15.3				15.8	50bp
FY						
Pro rata (million hl)						
Beer	116.9	-3%	-1%		112.4	-4%
Other beverages	21.9	2%	-6%		20.9	-4%
Total volume	138.8	-2%	-2%		133.3	-4%
DKK million						
Net revenue	62,614	1%	-2%	0%	61,808	-1%
Operating profit	8,245	8.4%	-1.4%	0.7%	8,876	7.7%
Operating margin (%)	13.2				14.4	120bp

Group beer volumes declined organically by 3%, mainly impacted by the lower volumes in Russia. Other beverages grew organically by 2%, driven by growth in the Nordics and Asia. Total volumes declined by 2% organically and by 4% in reported terms. The net acquisition impact primarily related to the divestments of Carlsberg Malawi in 2016 and the German wholesaler Nordic Getränke in 2017.

Driven by a solid 3% price/mix improvement (H2: +2%), net revenue grew organically by 1%. The positive price/mix was driven by strong performance in Asia and Eastern Europe. Reported net revenue declined by 1%, impacted by divestments.

Cost of goods sold per hl increased organically by approx. 3%, mainly due to overall cost inflation, mix and the volume decline in Eastern Europe. The solid price/mix and efficiency improvements meant that the gross margin improved by 70bp to 50.9%.

Funding the Journey positively impacted operating expenses, which were down 2% organically. Marketing expenses as a percentage of net revenue were 9.7%, broadly in line with 2016. As a percentage of net revenue, reported operating expenses declined by 60bp to 37.2%.

Operating profit increased organically by 8.4%, with all three regions delivering very solid performance. Reported operating profit was DKK 8,876m, corresponding to a growth rate of

7.7%. The small positive currency impact was more than offset by the negative impact from divestment of businesses.

The operating margin improved by 120bp to 14.4% in reported terms.

As expected, operating profit growth in H2 was lower than in H1, mainly due to higher investments in SAIL'22 in the second half of the year and phasing of certain costs. H2 operating profit grew organically by 3.4% and the reported operating margin improved by 50bp.

Adjusted net profit (adjusted for special items after tax) was DKK 4,925m and adjusted earnings per share were DKK 32.3, corresponding to a strong 27% improvement. The improvement was driven by the high operating profit growth, lower financial expenses and a significantly lower tax rate compared with 2016.

Reported net profit was DKK 1,259m (2016: DKK 4,486m) and earnings per share were DKK 8.3. Reported net profit was negatively impacted by special items of DKK -4.6bn, mainly as a result of the DKK 4.8bn impairment of the Baltika brand in Russia due to changed market dynamics following the PET downsizing, our increased focus on local and regional brands and updated assumptions on interest rates.

Free operating cash flow improved by 38%, driven by EBITDA growth of 4%, a significant working capital improvement and lower interest payments. Free cash flow was DKK 8.7bn, compared with DKK 8.6bn in 2016, when free cash flow was positively impacted by significant proceeds from divestments. Trade working capital to net revenue (12-month average) improved further to -13.7% (2016: -12.5%), with particularly strong improvements in Western Europe and Asia driven by increased focus and strict financial discipline.

Return on invested capital (12-month average) expanded by 100bp to 6.9% (2016: 5.9%), impacted by lower capital employed and improved profitability. ROIC excluding goodwill improved by 300bp to 15.7%. All regions improved, with particularly strong improvement in Asia.

Net interest-bearing debt was reduced by DKK 5.9bn to DKK 19.6bn because of the strong cash flow. Net interest-bearing debt/EBITDA was 1.45x (1.96x at year-end 2016).

REGIONAL PERFORMANCE

WESTERN EUROPE

		Change				Change
	2016	Organic	Acq., net	FX	2017	Reported
H2						
Pro rata (million hl)						
Beer	24.2	-1%	-1%		23.6	-2%
Other beverages	8.4	0%	-8%		7.7	-8%
Total volume	32.6	-1%	-3%		31.3	-4%
DKK million						
Net revenue	18,837	-1%	-3%	-2%	17,762	-6%
Operating profit	2,816	2.6%	-1.0%	-1.5%	2,818	0.1%
Operating margin (%)	14.9				15.9	100bp
FY						
Pro rata (million hl)						
Beer	48.4	-1%	-1%		47.7	-2%
Other beverages	16.3	2%	-7%		15.5	-5%
Total volume	64.7	0%	-2%		63.2	-2%
DKK million						
Net revenue	37,597	0%	-2%	-1%	36,306	-3%
Operating profit	4,858	7.5%	-0.7%	-0.9%	5,144	5.9%
Operating margin (%)	12.9				14.2	130bp

Net revenue in Western Europe was flat organically as a result of flat volumes and price/mix. Reported net revenue declined by 3% due to the disposal of the German wholesaler Nordic Getränke in April 2017 and a negative currency impact.

Price/mix was negatively impacted by country mix, as we achieved positive price/mix in most of our Western European markets.

Organic operating profit growth was 7.5% and operating margin improved by 130bp. The progress in earnings was driven by value management efforts, improved mix due to our premiumisation efforts and Funding the Journey benefits, including good results within supply chain savings and operating cost management (OCM). Almost all Western European markets delivered profit growth.

H2 organic operating profit growth of 2.6% was impacted by bad weather in parts of the region during the summer in Q3 and an acceleration of investments in SAIL'22 priorities.

Beer volumes declined organically by 1%, as they were negatively impacted by the weather. Other beverages grew by 2% due to good performance in the Nordics. Reported volumes declined by 2% due to the divestment of Nordic Getränke. Market share development for the region was largely unchanged compared with last year.

Nordics

In the Nordic markets, our total volumes were flat. The summer, especially Q3, was challenging as a result of the bad weather. Price/mix continued to develop favourably, mainly due to growth of our premium propositions, and we delivered approx. 1% price/mix. Our non-beer businesses in Sweden, Norway and Finland delivered solid volume growth, while we lost market share in Denmark. All four markets improved profitability due to Funding the Journey benefits and positive price/mix.

France

Our French business continued its positive premiumisation efforts, led by our premium brands – such as 1664, Grimbergen and Tourtel – and craft brands, while Kronenbourg in the mainstream segment declined. We strengthened our market share in the off-trade, while we lost in the on-trade. Price/mix was flat in spite of a difficult pricing environment.

Switzerland

Our Swiss business delivered another year of very solid performance. Our core mainstream beer, Feldschlösschen, delivered good results, and we grew our craft & speciality and alcohol-free beer offerings well ahead of the market, resulting in a positive price/mix.

Poland

In a declining and highly competitive Polish market, we grew volumes by 5%. Our brands in the upper-mainstream and premium segments – Okocim, Kasztelan, Carlsberg and Somersby – grew, while Harnas in the strong beer segment declined. As a result of the premium focus, price/mix grew and profitability improved.

The UK

Our volumes in the UK declined by 6% due to tough EURO 2016 comparables. We continued to focus on premiumising our portfolio and achieved a solid price/mix. A number of portfolio initiatives were taken, including the addition of Brooklyn along with other craft and premium brands such as Poretti, the rejuvenation of Carlsberg Export at the beginning of the year and the recent addition of the London Fields Brewery portfolio.

Other markets

In the rest of the region, we saw particularly good top-line growth and margin improvement in markets such as Portugal, Italy and Bulgaria. Furthermore, the Baltics, Greece and Germany reported solid earnings improvement.

EASTERN EUROPE

		Change				Change
	2016	Organic	Acq., net	FX	2017	Reported
H2						
Pro rata (million hl)						
Beer	16.5	-7%	0%		15.3	-7%
Other beverages	1.0	-3%	0%		0.9	-3%
Total volume	17.5	-7%	0%		16.2	-7%
DKK million						
Net revenue	5,482	0%	0%	-1%	5,404	-1%
Operating profit	1,081	9.2%	-0.6%	-0.1%	1,173	8.5%
Operating margin (%)	19.7				21.7	200bp
FY						
Pro rata (million hl)						
Beer	32.4	-8%	0%		29.8	-8%
Other beverages	2.0	-3%	0%		1.9	-3%
Total volume	34.4	-8%	0%		31.7	-8%
DKK million						
Net revenue	10,205	-1%	0%	8%	10,878	7%
Operating profit	1,832	12.2%	-0.5%	9.5%	2,220	21.2%
Operating margin (%)	18.0				20.4	240bp

Net revenue in Eastern Europe was down organically by 1% as a result of an 8% volume decline, partly offset by a strong 8% price/mix. Reported net revenue grew by 7%, supported by a positive currency impact driven by the Russian rouble.

The strong price/mix was a consequence of price increases and the introduction of smaller pack sizes in Russia following the PET restrictions as of 1 January 2017. Price/mix was less pronounced in H2, as part of the positive impact from the PET downsizing was already seen in Q4 2016.

Organic operating profit grew by 12.2%, driven by the positive price/mix and strong execution of Funding the Journey. As a result of a positive currency impact, reported operating profit grew by 21.2%. Operating margin strengthened significantly, improving by 240bp to 20.4%.

Impacted by the less strong price/mix in H2 and the tough weather comparables in Q3, operating profit increased organically by 9.2%.

Our volumes grew in all markets but Russia.

Russia

Our Russian business delivered solid organic operating profit growth and a significant margin uplift in spite of the volume decline of 14%. The profit improvement was driven by a strong price/mix of 7% and tight cost control.

The Russian beer market declined by an estimated 4-5% for the year, impacted by the downsizing of PET bottles.

Our Russian volumes and market share were severely impacted by the PET downsizing. In response to this significant change in the Russian marketplace, we adopted a value-based approach to drive further value in the market. A few of our competitors chose to adopt a volume-based approach. Consequently, our products in the PET segment were priced at a premium vis-à-vis the average price points in the market, resulting in market share loss. Our overall volume market share declined by an estimated 270bp (YTD November) to 31.9% (source: Nielsen Retail Audit, Urban & Rural Russia). However, our value approach was a key driver behind our strong profit improvement.

We saw good progress for some of our key brands within premium and mainstream, with brands such as Baltika 3, Carlsberg, Tuborg and Zatecky Gus gaining market share, while the aforementioned value approach impacted brands in the lower-mainstream segments, where Zhigulevskoe in particular lost share.

As a consequence of the changed market dynamics following the PET ban, our increased focus on local and regional brands and updated assumptions on interest rates in Russia, the Baltika brand was written down by DKK 4.8bn.

Ukraine

Our Ukrainian business continued its strong performance, delivering 3% volume growth and strong price/mix. The market grew slightly, and we gained market share, driven by compelling performance by our local power brand Lvivske, as well as Carlsberg, 1664 and Garage. The growth of our premium brands contributed to a favourable mix improvement.

Other markets

Our businesses in Belarus, Kazakhstan and Azerbaijan all delivered earnings improvements. Kazakhstan in particular delivered a strong set of results, driven by significant revenue growth achieved following high-single-digit market growth, market share gain and strong performance of our premium brands.

ASIA

	2016	Change Organic	Change Acq., net	Change FX	2017	Change Reported
H2						
Pro rata (million hl)						
Beer	17.1	0%	-2%		16.8	-2%
Other beverages	1.6	3%	-3%		1.6	0%
Total volume	18.7	1%	-3%		18.4	-2%
DKK million						
Net revenue	7,027	5%	-2%	-6%	6,838	-3%
Operating profit	1,474	4.4%	-2.3%	-6.4%	1,411	-4.3%
Operating margin (%)	21.0				20.6	-40bp
FY						
Pro rata (million hl)						
Beer	36.1	0%	-3%		34.9	-3%
Other beverages	3.6	8%	-10%		3.5	-2%
Total volume	39.7	0%	-3%		38.4	-3%
DKK million						
Net revenue	14,666	5%	-3%	-3%	14,554	-1%
Operating profit	2,802	8.1%	-1.6%	-2.8%	2,905	3.7%
Operating margin (%)	19.1				20.0	90bp

Net revenue in Asia grew organically by 5%, driven by a very solid 5% price/mix as volumes were flat organically. Reported net revenue declined by 1% due to a negative currency impact, mainly in countries such as China, Malaysia, Laos and Vietnam, and last year's divestments, notably of Carlsberg Malawi in August 2016 and a number of breweries in China.

Our international premium brands – Tuborg, Carlsberg, 1664 Blanc and Somersby – all delivered strong growth in the region and were key drivers behind the solid price/mix improvement. Tuborg remains the main volume growth engine, supported by continued popularity in markets such as China and India.

Organic operating profit grew by 8.1% and the operating margin expanded by 90bp to 20.0%. The premiumisation efforts and supply chain savings, especially in China, impacted gross margin very positively and were key drivers of the profit improvement.

The region delivered 4.4% organic operating profit growth in H2, impacted by higher marketing investments due to a step-up of spend behind the SAIL'22 priorities.

Total volumes were flat organically.

China

The Chinese market declined by an estimated 1%. Our Chinese net revenue grew organically by 8%, driven by 5% price/mix and 3% organic volume growth.

Our growth was mainly driven by continued good performance of our premium portfolio. This was supported by our ongoing premiumisation trend in the market as consumers trade up into premium categories. Our international premium portfolio in China, which includes Tuborg, Carlsberg and 1664 Blanc, grew volumes by 12%. Tuborg remains our most important premium brand in China. In addition to our premium portfolio, we saw growth in all our key local power brands, such as Chongqing, Wusu, Dali and Xixia. Volumes in Q4 were impacted by the later sell-in to the Chinese New Year.

Our profitability in China continued to strengthen as a result of our cost efficiency focus and the strong growth of our premium portfolio and in spite of increasing marketing spend in support of the wider distribution of our international premium brands.

India

2017 was a very volatile year for our Indian business due to the highway ban and the introduction of GST. Consequently, our volumes declined by 2%. The decline was less than the market and we further strengthened our market position, reaching an estimated 17% market share for the year. In spite of the volume decline, our profitability strengthened.

Indochina

In Laos, we continued to deliver solid performance, with good revenue growth and margin improvement. We achieved particularly strong growth in the premium category with the Tuborg, Carlsberg and Somersby.

In Vietnam, we changed the local management early in the year. The new management is continuing to drive changes in order to strengthen our local commercial organisation. Flooding and the later sell-in to Têt – the Lunar New Year – in 2018 compared with 2017 impacted volumes negatively in Q4.

Mainly driven by our local mainstream brand Yoma, our business in Myanmar grew strongly, albeit from a small base. In Cambodia, we lost market share and our volumes declined.

Malaysia, Singapore and Nepal

Our businesses in Malaysia and Singapore delivered another year of solid performance, driven by good delivery of Funding the Journey initiatives, growth of our premium portfolio and continued growth of Carlsberg Smooth Draught.

Nepal also delivered strong results, driven by market growth, value management efforts and tight cost control.

CENTRAL COSTS (NOT ALLOCATED)

Central costs, net, amounted to DKK -1,307m (2016: DKK 1,191m). 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 (including sponsorships). The increase was mainly related to investments in SAIL'22 and one-off costs.

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 86m (2016: loss of DKK 56m).

COMMENTS ON THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The 2017 consolidated financial statements of the Carlsberg Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of 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 2016. The consolidated financial statements for 2017 contain a complete description of the accounting policies.

As of 1 January 2017, the following amendments and improvements became applicable without having any impact on the Group's accounting policies, as they cover areas that are not relevant for the Group or limit choices of accounting policies that have not been used by the Group:

- Amendments to IAS 7 "Disclosure Initiative"
- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"
- Part of Annual Improvements to IFRS Standards 2014-2016 Cycle

Furthermore, calculation of return on invested capital (ROIC) changed as of 1 January 2017, as the Group decided to align internal and external measurements. The effect of those changes was disclosed in the consolidated financial statements for 2016, section 9.3.

As of 1 January 2018, IFRS 15 "Revenue Recognition" and IFRS 9 "Financial Instruments" became applicable. Furthermore, the Group will change the classification of certain costs to align with internal measures. The changes and financial impact are further described in appendix 1.

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, 9, 11 and 13, and in the segment reporting by region on pages 29-31.

INCOME STATEMENT

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

Net special items (pre-tax) amounted to DKK -4,565m (2016: DKK +251m). Special items were significantly impacted by an impairment of the Baltika brand in Russia of DKK 4.8bn. The impairment was made as a result of changed market dynamics following the PET downsizing, our increased focus in Russia on local and regional brands and, lastly, changed interest rate assumptions. Special items were positively impacted by gains on disposals. A specification of special items is included in note 4.

Financial items, net, amounted to DKK -788m against DKK -1,247m in 2016. Financial income amounted to DKK 803m (2016: DKK 919m), mainly impacted by foreign exchange gains, net, of DKK 484m. Financial expenses amounted to DKK -1,591m (2016: DKK -2,166m), primarily impacted by interest expenses of DKK -775m and fair value adjustments of financial instruments, net, of DKK -292m. Excluding currency gains and fair value adjustments, financial expenses, net, amounted to DKK 980m (2016: DKK 1,663m), positively impacted by the lower net interest-bearing debt.

Tax totalled DKK -1,458m against DKK -2,392m in 2016. The effective tax rate was 41%. Adjusted for the brand impairment, the effective tax would have been 29%.

Non-controlling interests were DKK 806m (2016: DKK 371m). The significant increase versus 2016 was mainly due to Chongqing Brewery, which grew earnings and in 2016 was impacted by impairment and restructuring.

The Carlsberg Group's share of consolidated profit was DKK 1,259m against DKK 4,486m in 2016. The significant decline was due to the impairment of the Baltika brand. Adjusted net profit (adjusted for special items after tax) was DKK 4,925m, compared to DKK 3,881m in 2016. The increase was driven by the strong operating profit and lower net financial items and tax.

STATEMENT OF FINANCIAL POSITION

Assets
Total assets amounted to DKK 114.3bn at 31 December 2017 (DKK 126.9bn at 31 December 2016), a decrease of DKK 12.6bn.

Intangible assets amounted to DKK 67.8bn at 31 December 2017, compared to DKK 76.7bn at 31 December 2016. The lower amount was due to the depreciation of the Russian rouble and impairment of the Baltika brand in Russia of DKK 4.8bn.

Property, plant and equipment decreased to DKK 24.3bn against DKK 25.8bn at 31 December 2016, mainly driven by depreciation of DKK 3.8bn and foreign exchange losses of DKK 1.2bn, offset by additions of assets of DKK 3.8bn.

Current assets declined by DKK 1.6bn to DKK 15.3bn, mainly impacted by decreases in inventories and trade receivables of DKK 1.0bn, due in part to less stocking at distributors in Russia following the Trade Law implementation as of 1 January 2017 and the disposal of Nordic Getränke.

Equity and liabilities
Total equity amounted to DKK 49.5bn (DKK 53.7bn at 31 December 2016). DKK 46.9bn can be attributed to shareholders in Carlsberg A/S and DKK 2.6bn to non-controlling interests.

The change in equity of DKK 4.1bn was mainly caused by the consolidated profit of DKK 2.1bn and retirement benefit obligations of DKK +1.3bn, offset by foreign exchange losses of DKK 3.8bn and dividend payments of DKK 2.3bn.

Liabilities amounted to DKK 64.7bn (DKK 73.3bn at 31 December 2016). The decline was mainly due to lower borrowings (DKK -6.0bn) and deferred tax and retirement benefit obligations (DKK -2.2bn).

Current liabilities decreased to DKK 25.1bn at 31 December 2017 versus DKK 34.1bn at 31 December 2016. The decline of DKK 9.0bn was predominantly due to lower short-term borrowings of DKK 8.2bn.

CASH FLOW

Free cash flow amounted to DKK 8,680m (2016: DKK 8,616m), driven by a strong cash flow from operating activities of DKK 11,834m against DKK 9,329m in 2016, an increase of DKK 2,505m. This increase was due to stronger earnings and a positive contribution from working capital.

Operating profit before depreciation, amortisation and impairment losses thus amounted to DKK 13,583m (2016: DKK 13,006m).

The change in trade working capital was DKK +848m (2016: DKK +1,021m). Average trade working capital to net revenue improved further and was -13.7% for 2017 compared to -12.5% for 2016. The change in other working capital was DKK +388m (2016: DKK -1,126m, impacted by pension obligations and a reclassification).

Restructuring costs paid amounted to DKK -364m (2016: DKK -407m). Net interest etc. paid amounted to DKK -408m (2016: DKK -1,003m). The significant decline was due to lower interest-bearing debt, repayment in November 2016 of the GBP 300m 7.25% coupon bond and in October 2017 of the EUR 1bn 3.375% coupon bond, as well as the settlement of financial instruments.

Corporation tax paid amounted to DKK -1,934m (2016: DKK -1,752m). The increase was mainly due to higher earnings and withholding tax paid.

Cash flow from investing activities was DKK -3,154m against DKK -713m in 2016. Operational investments totalled DKK -3,853m (2016: DKK -3,554m), including capital expenditures of DKK 4.1bn. Total financial investments amounted to DKK +674m (2016: DKK +2,840m). Once again in 2017, financial investments were positively impacted by the disposal of non-core assets, although at a much lower level than in 2016. Total other activities were DKK +25m against DKK +1m in 2016.

FINANCING

At 31 December 2017, total borrowings amounted to DKK 24.2bn and net interest-bearing debt to DKK 19.6bn. The difference of DKK 4.6bn comprised other interest-bearing assets of DKK 1.1bn, and cash and cash equivalents of DKK 3.5bn.

The net interest-bearing debt to operating profit before depreciation and amortisation (EBITDA) ratio declined to 1.45x (1.96x at year-end 2016).

Of the total borrowings, 96% (DKK 23.3bn) was long term, i.e. with maturity of more than one year from 31 December 2017. In September, we successfully issued a 6-year EUR 500m bond with a coupon of 0.5%, the proceeds of which were used for general corporate purposes, including repayment of the EUR 1bn bond that matured on 13 October 2017.

Of the net financial debt, 93% was denominated in EUR and DKK (after swaps) and 96% of the gross debt was at fixed interest (fixed-interest period exceeding one year). The interest rate risk is measured by the duration of the net financial debt, for which our target is between two and five years. At 31 December 2017, the duration was 4.6 years, which was 0.9 higher than in 2016 (3.7). The increase was mainly due to the EUR bond issue in September.

ANNUAL GENERAL MEETING

The Annual General Meeting will take place on Wednesday 14 March 2018 at 5.00 p.m. (CET) at Ny Carlsberg Glyptotek, Dantes Plads 7, Copenhagen, Denmark.

BOARD RESOLUTION AND PROPOSAL TO THE ANNUAL GENERAL MEETING

The Supervisory Board will recommend to the Annual General Meeting that a dividend be paid for 2017 of DKK 16.0 per share or a total of DKK 2.4bn. This equals a payout ratio of 50% of adjusted net profit.

FINANCIAL CALENDAR

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

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

DISCLAIMER

This Company Announcement contains forward-looking statements, including statements about the Group's sales, revenues, earnings, spending, margins, cash flow, inventory, products, actions, plans, strategies, objectives and guidance with respect to the Group's future operating results. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "believe", "anticipate", "expect", "estimate", "intend", "plan", "project", "will be", "will continue", "will result", "could", "may", "might", or any variations of such words or other words with similar meanings. Any such statements are subject to risks and uncertainties that could cause the Group's actual results to differ materially from the results discussed in such forward-looking statements. Prospective information is based on management's then current expectations or forecasts. Such information is subject to the risk that such expectations or forecasts, or the assumptions underlying such expectations or forecasts, may change. The Group assumes no obligation to update any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Some important risk factors that could cause the Group's actual results to differ materially from those expressed in its forward-looking statements include, but are not limited to: economic and political uncertainty (including interest rates and exchange rates), financial and regulatory developments, demand for the Group's products, increasing industry consolidation, competition from other breweries, the availability and pricing of raw materials and packaging materials, cost of energy, production- and distribution-related issues, information technology failures, breach or unexpected termination of contracts, price reductions resulting from market-driven price reductions, market acceptance of new products, changes in consumer preferences, launches of rival products, stipulation of fair value in the opening balance sheet of acquired entities, litigation, environmental issues and other unforeseen factors. New risk factors can arise, and it may not be possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on the Group's business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.

MANAGEMENT STATEMENT

The Supervisory Board and Executive Board have discussed and approved the Company announcement of the financial statement as at 31 December 2017.

The Company announcement of the financial statement as at 31 December 2017 has been prepared using the same accounting policies as the consolidated financial statements for 2017.

COPENHAGEN, 7 FEBRUARY 2018

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	Richard Burrows	Donna Cordner
Nancy Cruickshank	Eva V. Decker	Kees van der Graaf
Finn Lok	Erik Lund	Søren-Peter Fuchs Olesen
Peter Petersen	Nina Smith	Lars Stemmerik

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INCOME STATEMENT

DKK million	H2 2017	H2 2016	2017	2016
Net revenue	30,043	31,371	61,808	62,614
Cost of sales	-14,706	-15,484	-30,325	-31,195
Gross profit	15,337	15,887	31,483	31,419
Sales and distribution expenses	-8,488	-8,741	-18,105	-18,476
Administrative expenses	-2,337	-2,645	-4,877	-5,220
Other operating activities, net	72	157	113	198
Share of profit after tax, associates and joint ventures	167	139	262	324
Operating profit before special items	4,751	4,797	8,876	8,245
Special items, net	-4,603	-155	-4,565	251
Financial income	156	463	803	919
Financial expenses	-593	-1,007	-1,591	-2,166
Profit before tax	-289	4,098	3,523	7,249
Corporation tax	-353	-1,352	-1,458	-2,392
Consolidated profit	-642	2,746	2,065	4,857
Attributable to:				
Non-controlling interests	403	127	806	371
Shareholders in Carlsberg A/S	-1,045	2,619	1,259	4,486
DKK				
Basic earnings per share of DKK 20	-6.9	17.2	8.3	29.4
Diluted earnings per share of DKK 20	-6.9	17.2	8.2	29.4

STATEMENT OF COMPREHENSIVE INCOME

DKK million	H2 2017	H2 2016	2017	2016
Consolidated profit	-642	2,746	2,065	4,857
Other comprehensive income:				
Retirement benefit obligations	1,252	-702	1,266	-957
Share of other comprehensive income, associates and joint ventures	-14	3	-12	3
Corporation tax	-141	55	-141	55
Items that will not be reclassified to the income statement	1,097	-644	1,113	-899
Foreign exchange adjustments of foreign entities	-1,191	3,898	-3,842	5,843
Value adjustments of hedging instruments	-100	-32	-305	141
Corporation tax	-11	5	25	-34
Items that may be reclassified to the income statement	-1,302	3,871	-4,122	5,950
Other comprehensive income	-205	3,227	-3,009	5,051
Total comprehensive income	-847	5,973	-944	9,908
Attributable to:				
Non-controlling interests	298	222	499	393
Shareholders in Carlsberg A/S	-1,145	5,751	-1,443	9,515

STATEMENT OF FINANCIAL POSITION

DKK million	31 Dec. 2017	31 Dec. 2016
Assets		
Intangible assets	67,793	76,736
Property, plant and equipment	24,325	25,810
Financial assets	6,881	7,382
Total non-current assets	98,999	109,928
Inventories	3,834	3,963
Trade receivables	4,611	5,485
Other receivables etc.	3,345	3,903
Cash and cash equivalents	3,462	3,502
Total current assets	15,252	16,853
Assets held for sale	-	125
Total assets	114,251	126,906
Equity and liabilities		
Equity, shareholders in Carlsberg A/S	46,930	50,811
Non-controlling interests	2,595	2,839
Total equity	49,525	53,650
Borrowings	23,340	21,137
Deferred tax, retirement benefit obligations etc.	16,320	17,969
Total non-current liabilities	39,660	39,106
Borrowings	849	9,067
Trade payables	13,474	13,497
Deposits on returnable packaging	1,576	1,681
Other current liabilities	9,167	9,890
Total current liabilities	25,066	34,135
Liabilities associated with assets held-for-sale	-	15
Total equity and liabilities	114,251	126,906

STATEMENT OF CHANGES IN EQUITY (PAGE 1 OF 2)

DKK million	Shareholders in Carlsberg A/S							31 Dec. 2017
	Share capital	Currency translation	Hedging reserves	Total reserves	Retained earnings	Equity, shareholders in Carlsberg A/S	Non-controlling interests	Total equity
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:								
Foreign exchange adjustments of foreign entities	-	-3,511	-	-3,511	-	-3,511	-331	-3,842
Value adjustments of hedging instruments	-	-352	46	-306	-	-306	1	-305
Retirement benefit obligations	-	-	-	-	1,243	1,243	23	1,266
Share of other comprehensive income in associates and joint ventures	-	-	-	-	-12	-12	-	-12
Effect of hyperinflation	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Corporation tax	-	41	-16	25	-141	-116	-	-116
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
Disposals 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 CHANGES IN EQUITY (PAGE 2 OF 2)

DKK million	Shareholders in Carlsberg A/S							31 Dec. 2016
	Share capital	Currency translation	Hedging reserves	Total reserves	Retained earnings	Equity, shareholders in Carlsberg A/S	Non-controlling interests	Total equity
Equity at 1 January 2016	3,051	-34,910	-727	-35,637	76,075	43,489	3,742	47,231
Consolidated profit	-	-	-	-	4,486	4,486	371	4,857
Other comprehensive income:								
Foreign exchange adjustments of foreign entities	-	5,835	-	5,835	-	5,835	8	5,843
Value adjustments of hedging instruments	-	12	129	141	-	141	-	141
Retirement benefit obligations	-	-	-	-	-971	-971	14	-957
Share of other comprehensive income in associates and joint ventures	-	-	-	-	3	3	-	3
Corporation tax	-	-17	-13	-30	51	21	-	21
Other comprehensive income	-	5,830	116	5,946	-917	5,029	22	5,051
Total comprehensive income for the year	-	5,830	116	5,946	3,569	9,515	393	9,908
Capital Increase	-	-	-	-	-	-	1	1
Acquisition/disposal of treasury shares	-	-	-	-	-1	-1	-	-1
Settlement of share-based payments	-	-	-	-	-64	-64	-	-64
Share-based payments	-	-	-	-	52	52	-	52
Dividends paid to shareholders	-	-	-	-	-1,373	-1,373	-617	-1,990
Non-controlling interests	-	-	-	-	-807	-807	-597	-1,404
Disposals of entities	-	-	-	-	-	-	-83	-83
Total changes in equity	-	5,830	116	5,946	1,376	7,322	-903	6,419
Equity at 31 December 2016	3,051	-29,080	-611	-29,691	77,451	50,811	2,839	53,650

STATEMENT OF CASH FLOWS

DKK million	H2 2017	H2 2016	2017	2016
Operating profit before special items	4,751	4,797	8,876	8,245
Adjustment for depreciation, amortisation and impairment losses[1]	2,199	2,496	4,707	4,761
Operating profit before depreciation, amortisation and impairment losses[1]	6,950	7,293	13,583	13,006
Adjustment for other non-cash items	-173	-373	-279	-410
Change in trade working capital	-320	-394	848	1,021
Change in other working capital	196	-571	388	-1,126
Restructuring costs paid	-259	-152	-364	-407
Interest etc. received	79	85	156	190
Interest etc. paid	-582	-969	-564	-1,193
Corporation tax paid	-1,043	-883	-1,934	-1,752
Cash flow from operating activities	4,848	4,036	11,834	9,329
Acquisition of property, plant and equipment and intangible assets	-2,207	-2,301	-4,053	-3,820
Disposal of property, plant and equipment and intangible assets	85	155	160	223
Change in on-trade loans	47	72	40	43
Total operational investments	-2,075	-2,074	-3,853	-3,554
Free operating cash flow	2,773	1,962	7,981	5,775
Acquisition and disposal of entities, net	23	1,181	268	1,969
Acquisition and disposal of associates and joint ventures, net	-2	89	242	716
Acquisition and disposal of financial assets, net	4	7	10	5
Change in financial receivables	-34	21	-54	-78
Dividends received	54	116	208	228
Total financial investments	45	1,414	674	2,840
Other investments in property, plant and equipment	-	-11	-	-20
Disposal of other property, plant and equipment	-	21	25	21
Total other activities[2]	-	10	25	1
Cash flow from investing activities	-2,030	-650	-3,154	-713
Free cash flow	**2,818**	**3,386**	**8,680**	**8,616**
Shareholders in Carlsberg A/S	-135	-45	-1,681	-1,438
Non-controlling interests	-285	-205	-740	-1,015
External financing	-4,382	-3,325	-5,239	-6,752
Cash flow from financing activities	-4,802	-3,575	-7,660	-9,205
Net cash flow	-1,984	-189	1,020	-589
Cash and cash equivalents at beginning of period	5,223	2,510	2,348	3,020
Foreign exchange adjustment of cash and cash equivalents	-119	27	-248	-83
Cash and cash equivalents at period-end[3]	3,120	2,348	3,120	2,348

[1] Impairment losses excluding those reported in special items.
[2] Other activities cover real estate, separate from beverage activities.
[3] Cash and cash equivalents less bank overdrafts.

NOTE 1 (PAGE 1 OF 3)

Segment reporting by region

	Q4 2017	Q4 2016	H2 2017	H2 2016	2017	2016
Beer sales (pro rata, million hl)						
Western Europe	10.5	10.4	23.6	24.2	47.7	48.4
Eastern Europe	6.6	6.8	15.3	16.5	29.8	32.4
Asia	6.5	6.7	16.8	17.1	34.9	36.1
Total	23.6	23.9	55.7	57.8	112.4	116.9
Other beverages (pro rata, million hl)						
Western Europe	3.8	3.9	7.7	8.4	15.5	16.3
Eastern Europe	0.3	0.3	0.9	1.0	1.9	2.0
Asia	0.7	0.7	1.6	1.6	3.5	3.6
Total	4.8	4.9	10.2	11	20.9	21.9
Net revenue (DKK million)						
Western Europe	8,160	8,438	17,762	18,837	36,306	37,597
Eastern Europe	2,280	2,334	5,404	5,482	10,878	10,205
Asia	2,903	3,052	6,838	7,027	14,554	14,666
Not allocated	19	13	39	25	70	146
Beverages, total	13,362	13,837	30,043	31,371	61,808	62,614
Non-beverages	-	-	-	-	-	-
Total	13,362	13,837	30,043	31,371	61,808	62,614
Operating profit before depreciation, amortisation and special items (EBITDA, DKK million) [1]						
Western Europe			3,700	3,825	7,037	6,831
Eastern Europe			1,517	1,469	2,982	2,569
Asia			2,093	2,172	4,320	4,171
Not allocated			-320	-186	-682	-517
Beverages, total			6,990	7,280	13,657	13,054
Non-beverages			-40	13	-74	-48
Total			6,950	7,293	13,583	13,006
Operating profit before special items (DKK million) [1]						
Western Europe			2,818	2,816	5,144	4,858
Eastern Europe			1,173	1,081	2,220	1,832
Asia			1,411	1,474	2,905	2,802
Not allocated			-602	-583	-1,307	-1,191
Beverages, total			4,800	4,788	8,962	8,301
Non-beverages			-49	9	-86	-56
Total			4,751	4,797	8,876	8,245
Operating margin (%) [1]						
Western Europe			15.9	14.9	14.2	12.9
Eastern Europe			21.7	19.7	20.4	18.0
Asia			20.6	21.0	20.0	19.1
Not allocated			…	…	…	…
Beverages, total			16.0	15.3	14.5	13.3
Non-beverages			…	…	…	…
Total			15.8	15.3	14.4	13.2

[1] Comparative figures for Western Europe for 2016 have been restated as a result of the change in segmentation.

NOTE 1 (PAGE 2 OF 3)

Segment reporting by region

DKK million	2017	2016
Capital expenditure, CapEx		
Western Europe	1,837	1,920
Eastern Europe	716	454
Asia	1,212	1,244
Not allocated	83	196
Beverages, total	3,848	3,814
Non-beverages	205	26
Total	4,053	3,840
Amortisation and depreciation		
Western Europe	1,893	1,973
Eastern Europe	762	737
Asia	1,415	1,369
Not allocated	625	674
Beverages, total	4,695	4,753
Non-beverages	12	8
Total	4,707	4,761
CapEx/Amortisation and depreciation (%)		
Western Europe	97	97
Eastern Europe	94	62
Asia	86	91
Not allocated	…	…
Beverages, total	82	80
Non-beverages	…	…
Total	86	81

NOTE 1 (PAGE 3 OF 3)

Segment reporting by region

DKK million	2017	2016
Invested capital, year-end		
Western Europe	37,218	37,749
Eastern Europe	27,376	35,265
Asia	20,131	22,658
Not allocated	-1,055	-55
Beverages, total	83,670	95,617
Non-beverages	818	472
Total	84,488	96,089
Invested capital excluding goodwill, year-end		
Western Europe	16,489	16,956
Eastern Europe	11,542	18,284
Asia	6,197	7,568
Not allocated	-1,055	-55
Beverages, total	33,173	42,753
Non-beverages	818	472
Total	33,991	43,225
EBIT adjusted for effective tax		
Western Europe	3,735	3,539
Eastern Europe	1,711	1,394
Asia	2,080	1,943
Not allocated	-1,168	-1,322
Beverages, total	6,358	5,554
Non-beverages	-56	-30
Total	6,302	5,524
Return on invested capital, ROIC (%), 12-month average		
Western Europe	9.9	9.2
Eastern Europe	5.1	4.5
Asia	9.9	8.3
Not allocated	…	…
Beverages, total	7.0	5.9
Non-beverages	…	…
Total	6.9	5.9
Return on invested capital excluding goodwill (%), 12-month average		
Western Europe	21.9	19.8
Eastern Europe	10.2	8.8
Asia	31.2	23.2
Not allocated	…	…
Beverages, total	16.0	12.9
Non-beverages	…	…
Total	15.7	12.7

NOTE 2

Segment reporting by activity

DKK million	H2 2017 Bever-ages	H2 2017 Non-beverages	H2 2017 Total	H2 2016 Bever-ages	H2 2016 Non-beverages	H2 2016 Total
Net revenue	30,043	-	30,043	31,371	-	31,371
Operating profit before special items	4,800	-49	4,751	4,788	9	4,797
Special items, net	-4,653	50	-4,603	-143	-12	-155
Financial items, net	-435	-2	-437	-539	-5	-544
Profit before tax	-288	-1	-289	4,106	-8	4,098
Corporation tax	-370	17	-353	-1,347	-5	-1,352
Consolidated profit	-658	16	-642	2,759	-13	2,746
Attributable to:						
Non-controlling interests	403	-	403	127	-	127
Shareholders in Carlsberg A/S	-1,061	16	-1,045	2,632	-13	2,619

DKK million	2017 Bever-ages	2017 Non-beverages	2017 Total	2016 Bever-ages	2016 Non-beverages	2016 Total
Net revenue	61,808	-	61,808	62,614	-	62,614
Operating profit before special items	8,962	-86	8,876	8,301	-56	8,245
Special items, net	-4,615	50	-4,565	263	-12	251
Financial items, net	-774	-14	-788	-1,237	-10	-1,247
Profit before tax	3,573	-50	3,523	7,327	-78	7,249
Corporation tax	-1,485	27	-1,458	-2,402	10	-2,392
Consolidated profit	2,088	-23	2,065	4,925	-68	4,857
Attributable to:						
Non-controlling interests	806	-	806	371	-	371
Shareholders in Carlsberg A/S	1,282	-23	1,259	4,554	-68	4,486

NOTE 3

Segment reporting by half-year

DKK million	H1 2015	H2 2015	H1 2016	H2 2016	H1 2017	H2 2017
Net revenue						
Western Europe	18,780	20,031	18,760	18,837	18,544	17,762
Eastern Europe	5,497	5,393	4,723	5,482	5,474	5,404
Asia	7,948	7,391	7,639	7,027	7,716	6,838
Not allocated	177	137	121	25	31	39
Beverages, total	32,402	32,952	31,243	31,371	31,765	30,043
Non-beverages	-	-	-	-	-	-
Total	32,402	32,952	31,243	31,371	31,765	30,043
Operating profit before special items						
Western Europe	2,155	3,170	2,042	2,816	2,326	2,818
Eastern Europe	830	1,078	751	1,081	1,047	1,173
Asia	1,331	1,468	1,328	1,474	1,494	1,411
Not allocated	-673	-753	-608	-583	-705	-602
Beverages, total	3,643	4,963	3,513	4,788	4,162	4,800
Non-beverages	-60	-89	-65	9	-37	-49
Total	3,583	4,874	3,448	4,797	4,125	4,751
Special items, net	-283	-8,376	406	-155	38	-4,603
Financial items, net	-770	-761	-703	-544	-351	-437
Profit before tax	2,530	-4,263	3,151	4,098	3,812	-289
Corporation tax	-714	-135	-1,040	-1,352	-1,105	-353
Consolidated profit	1,816	-4,398	2,111	2,746	2,707	-642
Attributable to:						
Non-controlling interests	321	23	244	127	403	403
Shareholders in Carlsberg A/S	1,495	-4,421	1,867	2,619	2,304	-1,045

NOTE 4

Special items

DKK million	2017	2016
Special items, income:		
Gain on disposal of entities and activities	402	2,078
Reversal of impairment losses	216	207
Gain on disposal of property, plant and equipment impaired in prior years	24	26
Reversal of provision recognised in a purchase price allocation in prior years	-	80
Income, total	642	2,391
Special items, expenses:		
Impairment of brands	-4,847	-867
Loss on disposal of entities and activities	-102	-
Impairment and restructuring of Carlsberg UK, including onerous contract	-70	-395
Impairment and restructuring of Carlsberg Deutschland	-	-152
Impairment and restructuring in relation to optimisation and standardisation in Western Europe	-139	-103
Impairment and restructuring in China	-13	-317
Impairment of Bihar Brewery, India	-	-199
Disposal of real estate, including adjustments to gains in prior years	-	-70
Severance and share-based payments to members of the Executive Committee	-15	-39
Other, net	-21	2
Expenses, total	-5,207	-2,140
Special items, net	-4,565	251

NOTE 5

Net financial expenses

DKK million	H2 2017	H2 2016	2017	2016
Financial income				
Interest income	74	83	144	152
Fair value adjustments of financial instruments	-	564	-	564
Foreign exchange gains, net	-83	-357	484	-
Interest on return on plan assets, defined benefit plans	152	173	152	173
Other financial income	13	-	23	30
Total	156	463	803	919
Financial expenses				
Interest expenses	-350	-520	-775	-1,034
Capitalised financial expenses	3	1	4	3
Fair value adjustments of financial instruments	108	147	-292	-
Foreign exchange losses, net	-	-148	-	-148
Interest cost on obligations, defined benefit plans	-207	-241	-250	-296
Other financial expenses	-147	-246	-278	-691
Total	-593	-1,007	-1,591	-2,166
Financial items, net, recognised in the income statement	-437	-544	-788	-1,247

NOTE 6 (PAGE 1 OF 2)

Debt and credit facilities

DKK million	31 Dec. 2017	31 Dec. 2016
Non-current borrowings:		
Issued bonds	22,215	18,489
Bank borrowings	21	1,114
Other non-current borrowings	1,104	1,534
Total	23,340	21,137
Current borrowings:		
Current portion of other non-current borrowings	36	7,617
Bank borrowings	773	1,443
Other current borrowings	40	7
Total	849	9,067
Total borrowings	24,189	30,204
Cash and cash equivalents	-3,462	-3,502
Net financial debt	20,727	26,702
Other interest-bearing assets, net	-1,089	-1,199
Net interest-bearing debt	19,638	25,503

All borrowings are measured at amortised cost.

NOTE 6 (PAGE 2 OF 2)

Debt and credit facilities

DKK million Time to maturity for non-current borrow ings						31 Dec. 2017
	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Issued bonds	5,587	-	-	5,559	11,069	22,215
Bank borrow ings	20	17	-29	9	4	21
Other non-current borrow ings	1,087	-	1	1	15	1,104
Total	6,694	17	-28	5,569	11,088	23,340

DKK million Currency split of net financial debt[1] at 31 Dec. 2017	
EUR	17,591
DKK	1,758
Other	1,378
Total	20,727

[1] After currency sw aps.
96% of gross debt is at fixed interest rates.

DKK million Committed credit facilities	31 Dec. 2017
> 1 year	2,928
1 to 2 years	6,694
2 to 3 years	17
3 to 4 years	18,659
4 to 5 years	5,569
< 5 years	11,088
Total	44,955
Current	2,928
Non-current	42,027

NOTE 7

Net interest-bearing debt

DKK million	H2 2017	H2 2016	2017	2016
Net interest-bearing debt is calculated as follows:				
Non-current borrowings			23,340	21,137
Current borrowings			849	9,067
Gross financial debt			24,189	30,204
Cash and cash equivalents			-3,462	-3,502
Loans to associates, interest-bearing portion			-290	-300
On-trade loans, net			-764	-863
Other receivables, net			-35	-36
Net interest-bearing debt			19,638	25,503
Changes in net interest-bearing debt:				
Net interest-bearing debt at beginning of period	21,852	28,290	25,503	30,945
Cash flow from operating activities	-4,848	-4,036	-11,834	-9,329
Cash flow from investing activities, excl. acquisition of subsidiaries	2,053	1,831	3,422	2,682
Cash flow from acquisition of subsidiaries, net	-23	-1,181	-268	-1,969
Dividend to shareholders and non-controlling interests	287	177	2,263	1,990
Acquisition of non-controlling interests	2	29	2	399
Acquisition/disposal of treasury shares and settlement of sharebased payments	135	45	156	65
Acquired net interest-bearing debt from acquisition of subsidiaries	-	-147	18	-83
Change in interest-bearing lending	18	189	44	725
Effects of currency translation	190	309	360	-46
Other	-28	-3	-28	124
Total change	-2,214	-2,787	-5,865	-5,442
Net interest-bearing debt, end of period	19,638	25,503	19,638	25,503

APPENDIX 1

Restatement of relevant 2017 figures following changes to accounting policies and estimates as of 1 January 2018

IFRS 15 "Revenue from Contracts with Customers"
The implementation of IFRS 15 "Revenue from Contracts with Customers" will impact the Group's financials and revenue stream, as the standard requires marketing activities with customers to be recognised as revenue. For the Group, IFRS 15 only result in changes in classification and does not have an impact on the timing of revenue recognition.

Supporting marketing activities provided for or organised together with our customers will be considered a part of the customer relationship and related costs will be recognised as discounts, not as marketing expenses.

When applying the new policy, judgement is required to decide whether supporting an activity with a customer should be classified as a discount or a marketing expense, taking into account the drivers behind and the purpose of the activity. Generally, if the purpose of marketing activities is to increase sales with the individual customer, the activities should be seen as a reduction of the transaction price and therefore classified as discount.

IFRS 9 "Financial Instruments"
IFRS 9 "Financial Instruments" introduces new hedge-accounting rules and a new impairment model: the expected credit loss (ECL) model.

The new hedge accounting rules imply that it will generally be easier to apply hedge accounting, as the new rules are more in line with the Group's risk management practice. Based on an assessment of the Group's current hedge arrangements, primarily aluminium hedges, an increased portion will qualify for hedge accounting, resulting in an increased portion of the fair value adjustment being recognised in other comprehensive income. The total ineffective portion of hedges for 2017, DKK 1m, related to the Group's aluminium hedging. The change in accounting policies applies to all hedging instruments.

The new impairment model requires recognition of impairment losses based on expected credit losses (ECL) rather than incurred losses as is the case under current practice. The ECL model involves a three-stage approach under which financial assets move through the stages as their credit quality changes.

The stages determine how impairment losses are measured and the effective interest is applied. For trade receivables, the Group applies the simplified approach, which permits the use of lifetime ECL. Provision rates are determined based on grouping of trade receivables sharing the same credit risk characteristics and days past due.

Regarding on-trade loans, impairment losses will be recognised based on 12-month or lifetime ECL depending on whether a significant increase in credit risk has arisen since initial recognition. Impairment losses on loans to associates will be recognised based on a 12-month ECL model.

The impact from implementation of IFRS 9 and calculating ECL has only an insignificant impact on provisions and the income statement.

Changes in classification

In addition to the above changes in accounting policies, the classification of certain costs of the central supply chain and IT functions will change. These costs will be reclassified from administration expenses to the functions they support, primarily production, logistics and sales. The reclassification is aligned with changes in the internal reporting, control and monitoring of the Group's strategic and financial targets and is a natural step in managing the functional activities under the Group's new strategy.

Impact of changes in accounting policies and classification for 2018

The changes in accounting policies and classification of central supply chain costs and IT costs will only impact the classification of revenue and expenses in the consolidated financial statements. The impact on administrative expenses will be a reduction of DKK 314m which will be reclassified to cost of sales and sales and distribution expenses. Operating profit before special items will remain unchanged.

The impact from the implementation of IFRS 15 on the consolidated financial statements for 2017 will be a reduction of revenue as a result of increased discounts of DKK 1.2bn.

As a consequence, all regions will see a negative impact on net revenue, with Western Europe and Asia experiencing the largest impacts due to the business models chosen, and on their share of sales to/from retailers and the wholesale market.

The total impact from the changes in accounting policies and classification will be an increase in operating margin by 20bp due to lower net revenue. Average trade working capital as a percentage of net revenue will increase by approximately 30bp.

Return on invested capital (ROIC) will remain unchanged.

Changes to volume reporting

As of 1 January 2018, the Group has decided to change the definition of volumes to only include the Group's sale of beverages in consolidated entities. Compared with 2017, the new definition excludes volumes in associates and joint ventures.

Impact from changes in accounting policies and classification on the income statement

DKK million	H1 2017		H2 2017		FY 2017	
	Reported	Restated	Reported	Restated	Reported	Restated
Net revenue	31,765	31,176	30,043	29,479	61,808	60,655
Cost of sales	-15,619	-15,681	-14,706	-14,766	-30,325	-30,447
Gross profit	16,146	15,495	15,337	14,713	31,483	30,208
Sales and distribution expenses	-9,617	-9,105	-8,488	-8,039	-18,105	-17,144
Administration expenses	-2,540	-2,401	-2,337	-2,162	-4,877	-4,563
Other operating income, net	41	41	72	72	113	113
Share of profit after tax of associates and joint ventures	95	95	167	167	262	262
Operating profit before special items	4,125	4,125	4,751	4,751	8,876	8,876

Restated net revenue by region

DKK million	Q1	Q2	Q3	Q4	H1	H2	2017 Full year
Western Europe	7,673	10,570	9,450	8,023	18,243	17,473	35,716
Eastern Europe	2,329	3,173	3,136	2,287	5,502	5,423	10,925
Asia	3,415	3,985	3,768	2,776	7,400	6,544	13,944
Not allocated	12	19	20	19	31	39	70
Beverage, total	13,429	17,747	16,374	13,105	31,176	29,479	60,655
Non-beverage	-	-	-	-	-	-	-
Total	13,429	17,747	16,374	13,105	31,176	29,479	60,655
Operating margin (%)							
Western Europe					12.7%	16.1%	14.4%
Eastern Europe					19.0%	21.6%	20.3%
Asia					20.2%	21.7%	20.8%
Not allocated					-	-	-
Beverages, total					13.3%	16.3%	14.8%
Non-beverage					-	-	-
Total					13.2%	16.1%	14.6%

Restated Group volumes by region

million hl	2017		
	Reported	Associates & joint ventures	Restated
Beer sales			
Western Europe	47.7	-1.6	46.1
Eastern Europe	29.8	-	29.8
Asia	34.9	-3.7	31.2
Total	112.4	-5.3	107.1
Other beverages			
Western Europe	15.5	-1.0	14.5
Eastern Europe	1.9	-	1.9
Asia	3.5	-0.7	2.8
Total	20.9	-1.7	19.2
Total volumes			
Western Europe	63.2	-2.6	60.6
Eastern Europe	31.7	-	31.7
Asia	38.4	-4.4	34.0
Total	133.3	-7.0	126.3

Restated quarterly volumes excl. associates and joint ventures by region

million hl	Q1 2017	Q2 2017	Q3 2017	Q4 2017	H1 2017	H2 2017	2017
Beer sales							
Western Europe	9.5	13.8	12.6	10.2	23.3	22.8	46.1
Eastern Europe	6.1	8.4	8.7	6.6	14.5	15.3	29.8
Asia	7.3	8.9	9.3	5.7	16.2	15.0	31.2
Total	22.9	31.1	30.6	22.5	54.0	53.1	107.1
Other beverages							
Western Europe	3.3	4.0	3.6	3.6	7.3	7.2	14.5
Eastern Europe	0.3	0.7	0.6	0.3	1.0	0.9	1.9
Asia	0.7	0.8	0.7	0.6	1.5	1.3	2.8
Total	4.3	5.5	4.9	4.5	9.8	9.4	19.2
Total volumes							
Western Europe	12.8	17.8	16.2	13.8	30.6	30.0	60.6
Eastern Europe	6.4	9.1	9.3	6.9	15.5	16.2	31.7
Asia	8.0	9.7	10.0	6.3	17.7	16.3	34.0
Total	27.2	36.6	35.5	27.0	63.8	62.5	126.3

APPENDIX 2

Company announcements in 2017

08/02/2017	Financial statement as at 31 December 2016
24/02/2017	Notice to convene the Annual General Meeting
24/02/2017	Carlsberg A/S Annual Report 2016
30/03/2017	Carlsberg A/S – Annual General Meeting – Summary
04/05/2017	Q1 2017 Trading Statement
17/08/2017	Financial statement as at 30 June 2017
30/08/2017	Carlsberg issues 6-year EUR notes
01/11/2017	Q3 2017 Trading Statement