Carlsberg Group

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Q1 2016 Trading statement

Solid start to the year

Highlights

- Organic net revenue growth of 2%.
- Price/mix of +4%.
- Total volumes declined organically by 2% to 29.3m hl.
- We announced the Group's new strategy, SAIL'22, in March and have taken the first steps in support of the strategic priorities and to embed the necessary changes throughout the organisation.
- The benefits of *Funding the Journey* are coming through as planned.

2016 earnings expectation maintained

- Organic operating profit growth by low-single-digit percentages is maintained.
- A negative translation impact of DKK 550m is now expected (previously DKK 600m).

Commenting on the results, CEO Cees 't Hart says: "In the seasonally small first quarter, we delivered a solid start to the year. Applying our new value management approach, we are on our way to strike a better balance between market share, gross margin and earnings. We maintain our full-year outlook for organic operating profit growth.

"We announced and started the implementation of our new strategy, SAIL'22. We continued to implement initiatives under the *Funding the Journey* and are focused on a timely and full delivery of the expected net benefits."

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FIRST QUARTER REVIEW

The Group delivered a solid organic revenue growth of 2%, driven by 4% price/mix which more than offset the organic total volume decline of 2%. Reported net revenue was DKK 13.0bn, corresponding to a 3% decline due to the negative currency impact of -5%.

Western Europe

Net revenue in Western Europe declined organically by 3%. Price/mix was a healthy +3% while total volumes declined organically by 7%.

We estimate that the overall Western European beer market was flat for the quarter. Our volumes were impacted by the delisting at a customer in the UK, our withdrawal from margin-dilutive contracts in Finland and Poland and tough comparisons, as Q1 last year was positively affected by stock-building ahead of the BSP1 implementation in some major markets.

The positive price/mix was due to easy comparisons with Q1 last year and our new value management approach which focuses on achieving the optimal balance between market share, the gross profit after logistics (GPaL) margin and operating profit. This new approach has enabled us to improve price/mix by sharpening our focus on profitability by brand, SKU, channel and promotional activity.

Eastern Europe

Our Eastern European net revenue grew organically by 20% for the quarter, driven by a strong 12% price/mix and 6% organic growth in total volumes. Reported net revenue declined by 2% due to a significantly negative currency impact.

We estimate that the Eastern European beer markets declined by mid-single-digit percentages. We achieved volume growth in Russia, Ukraine and Kazakhstan. The Russian volume growth was mainly due to easy comparisons with last year when we took significant measures to reduce stock levels at distributors, reflecting the market decline and the further shift from traditional to modern trade.

Price/mix was a result of last year's price increases and a weak mix in Q1 last year.

Asia

Net revenue in Asia grew organically by 5% as a result of 6% price/mix and flat total volumes. Reported net revenue declined by 1% due to a negative currency impact.

The beer market development in Asia was mixed with continued growth in markets such as India and Nepal while the Chinese market declined by 3-4%. We achieved volume growth in India and Nepal while volumes declined in China as a result of the brewery closures in Eastern China and in northern Vietnam as the Tết sell-in happened in December 2015 rather than in Q1 2016.

Delivering 25% volume growth, the Tuborg brand continued to be an important volume and revenue driver for the Asian business. To leverage the brand's popularity with Asian consumers, Tuborg was launched in Vietnam in early April.

The price/mix improvement was driven by price increases and a positive product.

SAIL'22 update

The new strategy, SAIL'22, was announced on 16 March. *Funding the Journey* is an integrated element of SAIL'22 and is being executed and embedded according to plan.

Since its publication, we have been communicating and operationalising the SAIL'22 priorities. During the first few weeks, approximately 10,000 employees participated in SAIL'22 presentations and workshops. In terms of operationalising SAIL'22, we have or are in the process of appointing dedicated teams. To head up the strategic priority of Target Big Cities, we have appointed Mark Jensen, currently head of Sweden. Furthermore, we are developing the action plans for 2017 in support of the SAIL'22 priorities alongside immediate execution of initiatives and priorities where long-term planning is not necessary.

Funding the Journey continues to make good progress. On supply chain, by the end of Q1 2016 we had cut approximately 950 SKUs from the tail. In China, in the last 12 months we have closed eight breweries and continue to work on our network. On operational efficiency, by the end of Q1, white-collar headcount reduction was about 2,000. On shared services, we are now in the process of moving a significant amount of back-office work to an external service provider in India. On operating cost management, after the first quarter, 12 of 15 cost groups have spending better than target across all regions and entities.

Finally, a few changes have been announced in the top-leadership team. Heine Dalsgaard was appointed CFO and will join the Group on 1 June. Chris Warmoth, previously Executive Vice President (EVP) Asia, will become EVP Corporate Strategy as of 1 June. For the time being, Chris will continue to lead *Funding the Journey*. Graham Fewkes, who has held commercial roles in Asia and centrally, will replace Chris as EVP Asia. On 1 April, Michiel Herkemij took over from Jørn Tolstrup Rohde as EVP Western Europe.

Structural changes

In January, the Group sold Danish Malting Group to Viking Malt Oy. The transaction is expected to be concluded during Q2.

Earnings expectations

Based on solid first quarter results, we maintain our financial expectations for 2016:

- Low-single-digit percentages organic operating profit growth.
- Financial leverage reduction.

Based on the spot rates as of 9 May, we now expect a negative translation impact of DKK 550m compared to our previous expectation of DKK 600m. Although the major Eastern Europe currencies have strengthened during the first quarter of the year, some Asian and Western European currencies have developed unfavourably.

All other assumptions are unchanged.

Copenhagen, 11 May 2016

Executive Board of Carlsberg A/S

Cees ‘t Hart
President & CEO

VOLUME AND NET REVENUE DATA

Q1	2015	Organic	Acq., net	FX	2016	Change Reported
Beer sales (pro rata, million hl)						
Western Europe	10.5	-8%	1%	-	9.7	-7%
Eastern Europe	6.0	6%	0%	-	6.3	6%
Asia	8.7	-1%	0%	-	8.7	-1%
Total	25.2	-2%	0%	-	24.7	-2%
Other beverages (pro rata, million hl)						
Western Europe	3.5	-3%	0%	-	3.4	-3%
Eastern Europe	0.2	29%	0%	-	0.3	29%
Asia	0.9	2%	0%	-	0.9	2%
Total	4.7	-1%	0%	-	4.6	-1%
Total beverages (pro rata, million hl)						
Western Europe	14.0	-7%	1%	-	13.1	-6%
Eastern Europe	6.2	6%	0%	-	6.6	6%
Asia	9.6	0%	0%	-	9.6	0%
Total	29.8	-2%	0%	-	29.3	-2%
Net revenue (DKK million)						
Western Europe	8,163	-3%	0%	-2%	7,780	-5%
Eastern Europe	1,735	20%	0%	-22%	1,698	-2%
Asia	3,537	5%	-2%	-4%	3,511	-1%
Not allocated	36	-37%	-3%	-	22	-40%
Total	13,471	2%	0%	-5%	13,011	-3%

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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.