SAIL 22

THE JOURNEY BEGINS
We remain in beer

We continue to operate in our three regions
- Western Europe
- Eastern Europe
- Asia

We will build a stronger business
- Leveraging our strengths
- Positioning for growth

With a compelling new ambition …

…and a fundamental change in how we prioritise and operate
Beer is a large and profitable category
• The most valuable beverage category in the world
• High consumer penetration

Most beer markets will continue to grow in value
• Innovation
• Premiumisation

Significant changes in consumer behaviour are shaping the future
• Our choices reflect major global trends
SAIL‘22 – WE CONTINUE TO OPERATE IN OUR THREE REGIONS

Operating profit split per region

Western Europe

2010 2015
46% 53%

Eastern Europe

2010 2015
45% 19%

Asia

2010 2015
9% 28%
SAIL‘22 – WE BUILD ON OUR STRENGTHS AND HERITAGE

Markets & brands
• Strong #1 and #2 positions across three regions
• Majority of profits generated in concentrated markets
• Strong portfolios of local beer brands in addition to speciality and international brands

Expertise
• Strong R&D capabilities
• In-depth local knowledge and consumer insights

Heritage
• A distinctive heritage with deep roots
• Long-standing commitment to quality
• A long-term, committed, value-focused main shareholder
SAIL’22 - OUR AMBITION GUIDES US

SUCCESSFUL
Driving sustainable top- and bottom-line growth

KPI
Market share
Gross profit after logistics %
Operating profit

PROFESSIONAL
Excel with our customers in insights, management and service

KPI
Customer satisfaction scores

ATTRACTIVE
Delivering value for our shareholders, employees and society

KPI
Operating profit
ROIC
Free cash flow

...brewer in our markets
SAIL’22 - SETTING SAIL WITH OUR FOUR PRIORITIES

STRENGTHEN CORE

POSITION FOR GROWTH

CREATE A WINNING CULTURE

DELIVER VALUE FOR SHAREHOLDERS
**SAIL’22 - CLEAR PRIORITIES TO DELIVER SHAREHOLDER VALUE**

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**CREATE A WINNING CULTURE**
**SAIL‘22 - CLEAR PRIORITIES TO DELIVER SHAREHOLDER VALUE**

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CREATE A WINNING CULTURE
SAIL’22: STRENGTHEN CORE - Leverage our strongholds

REVITALIZE CORE BEER

“We will leverage our strong beer brands and market positions to drive growth”

**WHY**

Decline in beer consumption as markets become economically mature

82% of Carlsberg Group net sales come from local and international beer brands (core beer)

**HOW**

- Deliver **streamlined portfolios** of local and international beer brands
- Improve and constantly **renovate brand fundamentals** on core brands (pack, taste, communication)
- Increase **consumer facing investment** behind key brands
- Improve **OBPPC** (occasion, brand, price, pack and channel) processes to drive value creation
TRANSFORM OUR BUSINESS IN RUSSIA

“Russia remains an important market and we understand what it takes to succeed”

WHY
Eastern Europe has been and remains an important contributor to earnings

HOW
• Fully leverage unique national brewery footprint and route-to-market set-up
• Optimise efficiency of supply chain
• Deliver a full portfolio of national leading brands, supplemented by strong regional offerings
• Capitalize on and drive category in growing modern trade
“Strengthening strongholds and going for growth requires superior capabilities that will allow us to excel in execution”

**WHY**
In the beer category, quality, impact and efficiency of execution are key to success.

**HOW**
- Change our portfolio approach to be more consumer occasion and benefit driven.
- Manage complexity smartly.
- Excel in execution at the point of purchase.
- Step change our digital agenda to connect with consumers and customers more efficiently.
- Foster consumer-driven R&D.

**EXCEL IN EXECUTION**
“Funding the Journey will improve cost and efficiency across our total business and provide funding for our strategy”

WHY
Bringing together all profit improvement initiatives in one single programme ensures a sharper focus and fast and impactful delivery

HOW
- Focus on value management to achieve optimal balance between volume market share, gross profit after logistics margin and operating profit
- Focus on supply chain efficiency to reduce material, production and logistics costs
- Focus on operating expense efficiency to achieve more efficient marketing and reduce sales and administration costs
- Net benefits by 2018 of DKK 1.5-2.0bn of which 50%. As generated, ~50% to be reinvested in our strategic choices and 50% to improve earnings
# SAIL‘22 - CLEAR PRIORITIES TO DELIVER SHAREHOLDER VALUE

## STRENGTHEN THE CORE
- Leverage our strongholds
- Excel in execution
- Funding the Journey

## POSITION FOR GROWTH
- Win in growing categories
- Target big cities
- Grow in Asia

## DELIVER VALUE FOR SHAREHOLDERS
- Organic growth in operating profit
- ROIC improvement
- Optimal capital allocation

## CREATE A WINNING CULTURE
SAIL’22: POSITION FOR GROWTH - Win in growing categories

BUILD CRAFT AND SPECIALITY

“We will actively shape the Craft and Speciality category, offering portfolios that win with consumers and customers”

WHY

- 15% higher annual craft volume growth vs. non-craft
- Craft beer share increasing in Western Europe
- Gross profit/hl for craft exceeding beer average

HOW

- A global portfolio of craft and speciality
  - Speciality brands such as Grimbergen
  - Authentic brands such as Jacobsen and Nya Carnegie
  - Accessible “crafty” line extensions on core brands such as Brewmasters Collection
- Develop relevant capabilities in R&D, brewing and commercial
- Support customers to grow the category
- Already proven successes in Scandinavia
SAIL’22: POSITION FOR GROWTH - Win in growing categories

ACTIVELY SHAPE NAB

“We will leverage growing health and wellness trends and our R&D capabilities to drive growth in non-alcohol”

WHY

68% of consumers aged 24-45 make conscious attempts to consume healthily

3x higher growth of non-alcoholic beverages vs average beer market

Gross profit/hl for NAB exceeding beer average

HOW

• Drive non-alcoholic beer (NAB) as a category through both line extensions and stand-alone brands

• Invest heavily in technological advantages to overcome taste barriers and offer healthier alternatives to consumers

• Building on successes such as Tourtel and Carlsberg Nordic
TARGET BIG CITIES
“Urbanisation trends provide new opportunities for us to generate incremental premium business”

WHY
70% live in cities by 2050 vs. 55% today; 30% higher urban beer consumption compared to avg. market
30 out of top 50 cities in the world without Carlsberg presence today

HOW
• Penetrating cities in existing geographies where no presence today
• Enter attractive cities in new geographies
• Asset-light model
• Build positions in high margin categories and segments
• Proven business model through our Export & License unit with Toronto as an example
SAIL’22: POSITION FOR GROWTH

GROW IN ASIA

“We are well-placed to capture the premium category growth in Asia and will invest accordingly”

WHY

Asia accounts for almost 40% of the world beer consumption.

HOW

- **Strengthen** current #1 and 2 positions
  - Portfolio development to accelerate **premiumisation**
  - In the **growth markets** of Laos, Cambodia, Nepal
  - In the **mature markets** of Malaysia, Singapore, Hong Kong
- **Further build** our position in **China**, **India** and **Vietnam**
  - Delivering a **portfolio of brands**
  - Increasing focus on **international** premium brands
  - Expansion in **channels** and **geographies**
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CREATE A WINNING CULTURE
CREATE A WINNING CULTURE

“We will create a winning culture based on a team-based and high-performance approach and accountability”

WHY
To deliver on our choices we will build an engaging and winning culture with clear roles and accountability

HOW
• Foster a strong team-based performance culture based on the principle of Alignment, Accountability, Action
• Rigorous monthly reviews on business performance, realisation of Funding the Journey benefits and SAIL’22 priorities
• Encourage and incentivise high-performance behaviour
• Short-term and long-term incentive schemes clearly linked to financial targets and delivery of Funding the Journey benefits
# SAIL’22 - CLEAR PRIORITIES TO DELIVER SHAREHOLDER VALUE

## Strengthen the Core
- Leverage our strongholds
- Excel in execution
- Funding the Journey

## Position for Growth
- Win in growing categories
- Target big cities
- Grow in Asia

## Deliver Value for Shareholders
- Organic growth in operating profit
- ROIC improvement
- Optimal capital allocation

CREATE A WINNING CULTURE
SAIL’22: DELIVER VALUE FOR SHAREHOLDERS

ORGANIC GROWTH IN OPERATING PROFIT

“Consistent profit growth is an important priority and will be achieved by the right balance of top-line and margin focus”

WHY
Improving organic operating profit is a confirmation of our ability to deliver growth and margin improvement

HOW
- Driving top-line growth
- Applying the right balance between volume market share, gross profit after logistics margin and operating profit
- Full delivery of Funding the Journey benefits

Note: Graph for illustrative purpose only
SAIL’22: DELIVER VALUE FOR SHAREHOLDERS

IMPROVEMENT IN RETURN ON INVESTED CAPITAL

“We will improve ROIC consistently, not only by improving earnings but also by reducing invested capital”

WHY

To drive a positive development in shareholder returns, we must improve the return on invested capital.

HOW

- Sweating fixed assets and financial discipline when investing
- Continuing the strong trajectory of optimising working capital
- Delivering high cash conversion

Return on invested capital

Note: Graph for illustrative purpose only
SAIL’22: DELIVER VALUE FOR SHAREHOLDERS

OPTIMISING CAPITAL ALLOCATION

“We will invest in profitable growth, and then reduce leverage and return more cash to shareholders”

WHY

Our first priority is to invest in to our business to drive profitable growth.

HOW

- **Investing** in initiatives that drive profitable growth
  - Initiatives to strengthen core
  - Growth opportunities
  - Capabilities

- Capital allocation targets$^1$
  1. NIBD/EBITDA < 2.0x
  2. Dividend pay-out ratio of 50%

- Excess cash to be redistributed through buy-backs and/or extraordinary dividends

- Deviating from the above only if value-enhancing acquisition opportunities arise

$^1$ In prioritised order
## SAIL‘22 - CLEAR PRIORITIES TO DELIVER SHAREHOLDER VALUE

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**CREATE A WINNING CULTURE**
SAIL‘22 – THE BUILDING BLOCKS OF OUR STRATEGY

The WHAT

Successful
Professional
Attractive

OUR AMBITION

The HOW

OUR PRIORITIES

The WHY

OUR COMMITMENT

The TEAM

ALIGNMENT, ACCOUNTABILITY & ACTION
Our behaviours and ways of working enable a team-based winning culture
SAIL 22
Q&A
APPENDIX
Supporting examples
Tuborg Nepal
• Relaunch of the market leading brand in Nepal
• New primary packaging, positioning and increased brand investment at POP
• Drove market share to 35% and returned category to value growth

Kasztelan Poland
• Repositioning of brand around freshness, backed by non-pasteurised recipe
• Strong and sustained media investment
• Drove segment market share +40% and delivered substantial profitability gains
Consumer-relevant national and regional portfolio

- Leading national portfolio of 11 beer brands
- 5 of top-10 brands in the market
- 8 key SKUs with national distribution of +80%
- Over 20 regional portfolios to meet local needs; assortment, innovation and distribution managed by portfolio

Winning commercial capabilities to execute

- Partnership with 74 off-trade distributors; over 5000 reps
  - Reach >150,000 traditional trade outlets
  - ~40,000 modern trade outlets
- >200,000 coolers; share of beer sold from coolers higher than average market share
- High level of collaboration with modern trade confirmed by external assessments

Superior supply chain footprint

- An efficient network of 8 well-located breweries, unmatched in the market
- Breweries’ heritage is relevant for local brand portfolio
- 14 own distribution centres and 270 distributor centres provide high service level and quick response rate
Internal pilots and external benchmarks show that great execution in point of purchase drives value

- Malaysia increased sales and margin through executing a powerful in-store visibility programme during Chinese New Year leading to a 7% increase in volume share and 6% increase in GPAL margin.

- Poland applied new execution standard during H2 2015 leading to 25% volume growth on premium products in the selected stores.

- External benchmarks show a proven 10% increase in sales when execution at point of purchase is done rigorously.
Funding the Journey achievements – performance in 2015 vs 2014 baseline

**RENEW – White collar headcount reduction**
- Around 1700 net reductions executed out of planned 2100
- Rest of plan to be executed during 2016

**OCM (Operating Cost Management) in Asia**
- OCM initiated in Asia in Q2/Q3 2015
- Absolute spend covered by OCM down 4% in 2015 vs 2014, despite Q2/Q3 start, healthy top line growth and inflation
  - 15 Cost Groups
    - 2 Cost Groups for marketing, 5 for supply chain, 3 for people, 5 for ‘all other’
    - Absolute reduction in spend in 10 of the 15 Cost Groups
    - 12 of the 15 Cost Groups show reduction as % of Net Revenue
    - Biggest % reductions in ‘all other’ Cost Groups – technology, finance/credit management, travel, professional services, facilities
Craft & Speciality (C&S) is expected to grow 15% (CAGR) until 2022

- C&S offer excellent opportunities to drive premiumisation
- Existing portfolios of C&S brands in Denmark, Norway & Sweden deliver vastly superior performance vs core

**Net sales/hl (index vs CB Beer average)**

<table>
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<th>Authentic craft champions</th>
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**Gross profit/hl (index vs CB Beer average)**

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<tr>
<td>5 year volume CAGR</td>
<td>Norway</td>
<td>Denmark</td>
<td>Sweden</td>
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<tr>
<td>Accessible Crafty</td>
<td>+13%</td>
<td>+27%*</td>
<td>+21%</td>
</tr>
<tr>
<td>Imported Speciality</td>
<td>+113%*</td>
<td>+30%</td>
<td>+74%*</td>
</tr>
<tr>
<td>Authentic Craft Champions</td>
<td>+126%</td>
<td>+13%</td>
<td>+51%</td>
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* 2 to 3 year CAGR due to more recent launches.
Non-alcoholic beverages are one of the fastest growing segments, with a five-year CAGR of 25-30%.

We have already started successfully on this journey:

- Nordic launch in Denmark reached 21% share of NAB market.
- Tourtel in France reached 70% market share, with penetration of 1.4m households in first 9 months of launch.
Big Cities will build on success and experience of ExLid (Export & License Dept)

- ExLid model is based on export to, and license agreements in markets where Group has no breweries
  - Models include traditional export, traditional licensing, tailor-made and profit sharing
  - Flexible organisation size/model
- Portfolio of international premium and speciality brands - great portfolio fit for modern urban consumer
- Consistent net revenue and operating profit growth
  - 2009-2015 CAGR of 10% in net revenue and 15% in operating profit

**Toronto Case Study**
- All products imported
- Significant top- and bottom-line growth driven by:
  - Focused brand investment -- Carlsberg, 1664 and Somersby
  - Innovation: Somersby and 1664 Blanc
  - Expanded salesforce, for downtown on-trade and key accounts
Asia operating profit has increased 22% (CAGR) from 2010 to 2015

Growth of Tuborg in Asia has been almost 70% (CAGR) from 2010 to 2015

- By end 2015, Tuborg is the clear #2 international beer brand in China and 2nd largest beer brand in India
SAIL’22: IMPROVEMENT IN RETURN ON INVESTED CAPITAL

**Trade working capital/net revenue**

-6%  -5%  -4%  -3%  -2%  -1%  0%

**Capex / depreciation**

1.8  1.5  1.2  0.9  0.6  0.3  0.0

SAIL’22: OPTIMISING CAPITAL ALLOCATION

**NIBD/EBITDA**

<table>
<thead>
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<tbody>
<tr>
<td>2011</td>
<td>2.4</td>
</tr>
<tr>
<td>2012</td>
<td>2.4</td>
</tr>
<tr>
<td>2013</td>
<td>2.6</td>
</tr>
<tr>
<td>2014</td>
<td>2.7</td>
</tr>
<tr>
<td>2015</td>
<td>2.3</td>
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**Dividend and pay-out**

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<th>Dividend (DKK)</th>
<th>Pay-out ratio</th>
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<tr>
<td>2011</td>
<td>5.5</td>
<td>0%</td>
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<tr>
<td>2012</td>
<td>6.0</td>
<td>5%</td>
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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.