OUR NEW STRATEGY – SAIL’27
Continuing the success of SAIL’22

Setting sail for the next five-year journey, Carlsberg today announces its new five-year strategy: SAIL’27.

An evolution of SAIL’22, SAIL’27 is built around our purpose of brewing for a better today and tomorrow, and our ambition of being the most successful, professional and attractive brewer in our markets.

SAIL’22 has served our business well, and today Carlsberg is a very healthy and strong company. With our new SAIL’27 priorities, we will continue our successful journey, seeing appealing long-term growth opportunities. We are therefore increasing our financial ambitions towards 2027:

- Organic revenue growth of 3-5% CAGR
- Organic operating profit growth above revenue growth.

CEO Cees ’t Hart says: “SAIL’27 is the exciting next step in the evolution of Carlsberg. Co-created by a large group of employees and leaders, and built around our purpose, SAIL’27 has clear choices for brands, categories, markets and capabilities, and steps up our ambitions for top- and bottom-line growth. In April, we will launch our new Together Towards ZERO and Beyond sustainability programme with a broader scope and an increased ambition level.”

Deputy Chair Henrik Poulsen says: “The Supervisory Board is very satisfied with the strong execution of SAIL’22 by the leadership team and all our colleagues around the world. As the incoming Chair, I believe SAIL’27 sets the right direction for Carlsberg. It’s based on the Group’s strong heritage and purpose, and the Board is confident that Carlsberg will continue to create long-term value for all stakeholders.”

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SAIL'22: SECURING STRATEGIC, ORGANISATIONAL AND FINANCIAL HEALTH

The execution of SAIL'22 has been a success, delivering significant improvement in the Group’s strategic, organisational and financial health.

While providing a clear overall direction for our business, SAIL'22 has been a “living” strategy. Since its launch in March 2016, we have continuously adjusted the application of the strategy to reflect learnings and the market environment, which has significantly changed, especially with COVID-19. Coupled with a considerably strengthened performance management culture and a good organisational balance between markets, regions and central functions, we have been able to leverage scale while remaining close to local consumers and customers.

Since 2016, we have delivered very well against our SAIL'22 financial metrics: organic operating profit, ROIC and capital allocation, including a very strong financial position with a leverage comfortably below 2x. We have significantly increased dividends from DKK 10 in 2016 to DKK 22 per share in 2021, and carried out share buy-backs amounting to DKK 11bn. In total, the cash return to shareholders in fiscal 2016 to 2021 was DKK 25.0bn. This is more than a four-fold increase compared with the previous six-year period. We have also made strong progress towards our sustainability targets. Compared with our 2015 baseline, we have reduced our brewery emissions per hl of beer produced by almost 40% and improved the water efficiency at our breweries by almost 20%.

SAIL'22 is now coming to an end. 2022 will be a year of transition to SAIL'27, which builds on the very strong foundation and successes of SAIL'22 while refreshing and expanding our priorities and raising the bar. 2023 will therefore be the first year of SAIL'27.

DEVELOPING SAIL'27

SAIL'27 was developed as a collaborative, company-wide effort, co-created by over 200 Carlsberg employees from more than 30 different markets and functions to ensure that we incorporated the learnings from SAIL'22 and that SAIL'27 will be strongly embedded in our local markets and central functions from the very beginning.

In developing SAIL'27, we aimed at keeping and sharpening our strong strategic, organisational and financial dynamics while ensuring that our direction-setting was refreshed and that our new strategy reflects expected consumer, customer, societal, regulatory, economic and geopolitical trends and their likely impact on the beer category in terms of both volume and value. As such, SAIL'27 reflects the learnings from the past and assumptions for the future blended together.

SAIL'27 focuses on five strategic levers – portfolio, geographies, execution, culture and funding the journey – for which we have made distinct strategic choices, defining the focus of our efforts and resource allocation. Our strategic levers and choices should be viewed as an integrated set of activities that together will drive shareholder value.

On pages 3-7, we provide a summary of our SAIL'27 levers and priorities.
DRIVING SHAREHOLDER VALUE

With SAIL’27, we will continue our successful journey. We believe we can successfully capture long-term growth opportunities, and we are therefore increasing our financial and sustainability ambitions for the SAIL’27 period:

- Organic revenue growth of 3-5% CAGR
- Organic operating profit growth above revenue growth
- Continued ROIC focus
- Ambitious sustainability targets.

We will continue our disciplined approach to capital allocation, for which our principles remain unchanged from SAIL’22:

1. Invest in the business to drive long-term value creation.
2. Maintain a conservative balance sheet with NIDB/EBITDA below 2x.
3. Maintain a payout ratio of approx. 50%.
4. Distribute excess cash to shareholders through share buy-backs and/or extraordinary dividends.
5. If value-enhancing acquisition opportunities arise, we may deviate temporarily from the above.

In addition, we will maintain a strong focus on trade working capital and capital expenditure. Consequently, operating cash generation is expected to remain very strong.

SAIL’27

OUR PORTFOLIO CHOICES

The beer category continues to offer attractive long-term volume and value growth opportunities, though with different growth dynamics between categories and markets. Our portfolio choices target these growth opportunities. In addition, we see further attractive growth opportunities for selected categories beyond beer.

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STEP UP IN PREMIUM

Across our regions, the premium category is growing three to four times faster than mainstream beer. In SAIL’27, we will achieve value growth by more forcefully expanding into the premium segment, pursuing three distinct growth opportunities:

*Our super premium portfolio*, consisting of local craft & speciality offerings and our international super premium brands 1664 Blanc, Grimbergen and Brooklyn. 1664 Blanc in particular, our largest and most important super premium brand, has significant growth potential, and we want to grow brand volumes both in existing markets and by launching it in markets where it is currently not present. We will ensure continued growth for strong local offerings, not least our craft & speciality brands in Western Europe, and selectively scale Grimbergen and Brooklyn.

*Our premium international lager brands* Carlsberg and Tuborg. Notwithstanding the different value propositions of these two brands in many markets, both brands continue to have significant premium growth potential, particularly in Asia. In addition, we will explore other brands with an appealing and more premium international lager opportunity.

*Our premium local brands*, particularly in Western Europe, where we already have a strong position with distinctive local brands, such as Frydenlund in Norway, Jacobsen in Denmark and Valaisanne in Switzerland. Across our markets, we will drive growth and scale for our local premium brands.

STRENGTHEN MAINSTREAM CORE BEER

Core mainstream beer accounts for around 60% of the total beer category value.

Mainstream core beer includes our local power brands, which will remain an important category in our beer portfolio. These brands have strong local roots and histories, and meet the continued consumer demand for local and authentic brands. Mainstream core beer brands remain important for the perception of the overall beer category and for recruiting new consumers.

We will safeguard the healthy foundation of our core mainstream brands to provide scale and a solid backbone for our local businesses. We also aim to capture growth opportunities, including expanding proven innovations and leveraging repeatable commercial models across markets and brands. In addition, core beer brands offer opportunities for premium line extensions and entrance points for other categories, such as alcohol-free beer.

ACCELERATE ALCOHOL-FREE BREWS

Alcohol-free brews (AFB) account for 4% of the beer market in our markets and is one of the fastest growing beer segments.

SAIL’22 has delivered strong growth for our AFB brands, which include alcohol-free beer, beer mixes, such as radlers, Somersby 0.0 and flavoured non-alcoholic beers, and non-fermented malt beverages. In many markets across Western Europe and Central & Eastern Europe, we have achieved a strong no. 1 market position in the category.

Our ambition is to significantly grow our AFB volumes. We will do this by accelerating our AFB volume growth in Western Europe, further scaling our AFB portfolio in Central & Eastern Europe and seeding AFB in Asia, and also by leveraging our strong local power brands, our international premium brands and stand-alone alcohol-free brands.

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GROW BEYOND BEER
In SAIL’27, we will extend our focus to other beverages beyond beer. Consumers are increasingly looking for beverages outside the beer category, such as cider, hard lemonade, hard seltzers and RTD cocktails. We see attractive growth opportunities in several of these categories, leveraging brands such as Somersby and Garage.

Initially, our key focus will be on Somersby and Garage. For Somersby, we see opportunities to expand the core cider proposition and leverage the brand in other categories. Garage has delivered strong growth in Russia and successfully expanded into neighbouring markets. Garage offers attractive further growth opportunities, including in other categories. Both Somersby and Garage have proven scalable across markets, and we aim to expand them in new markets, applying repeatable business models.

In addition, we will apply repeatable proven models and develop new propositions for other existing well-known and trusted brands.

OUR GEOGRAPHICAL PRIORITIES
Today, the Group has attractive widespread geographical presence and no. 1 or 2 positions in 22 markets across Western Europe, Asia and Central & Eastern Europe. While market dynamics are different in the three regions, they all offer appealing long-term revenue and earnings growth opportunities.

WESTERN EUROPE: PREMIUMISE AND INCREASE MARGINS
Across all markets in the region, we will rigorously implement our portfolio choices and strengthen our execution capabilities. All markets are expected to grow revenue and profits. In certain markets, such as France, Switzerland and the UK, we see particular growth opportunities. In addition, we will continue to drive further operational improvements in order to increase flexibility, improve efficiency and reduce costs.

ASIA: ACCELERATE IN CORE MARKETS
Across the region, we will continue to grow share in our key Asian markets, further expand our premium portfolio and capture growth opportunities in adjacent categories, particularly utilising the Somersby brand asset. We will maintain special focus on China, where we will sustain our momentum by accelerating our successful big-city approach and strengthening in new and growing retail channels, such as e-commerce and modern off-trade, leveraging our local and international premium brands and launching brands beyond beer.

In addition, we will strengthen our local no. 2 positions in India through continued expansion in the mainstream category and accelerated investments in the premium and super premium categories. And in Vietnam, we will focus on growing outside our core region in central Vietnam and step up in the affordable and premium segments.

CENTRAL & EASTERN EUROPE: DRIVE VALUE AND BUILD SCALE
The Central & Eastern European region includes a large number of diverse markets with very different market dynamics. Across markets, we will strengthen our premium portfolios and in-store execution capabilities, and pursue growth opportunities in categories beyond beer, particularly leveraging Somersby, Garage and local brands.
In our sizeable Export & License business, we aim to accelerate growth in key markets and pursue selected growth opportunities in markets with attractive large profit pools.

**OUR EXECUTION EXCELLENCE**

Excel in execution remains a key priority in SAIL’27. We will support our portfolio and geographical priorities by stepping up and continuously improving our execution capabilities, particularly aiming at:

*Excel at point of purchase* by more deeply embedding our well-proven sales execution and value management tools and technologies, and offering winning portfolios.

*Master digital, data and processes* by ensuring competitiveness in rapidly developing areas, such as digital marketing, e-commerce and data & analytics, and developing processes and leveraging technology to improve efficiency and effectiveness in our ways of working.

*Drive supply chain excellence* by improving efficiency and effectiveness in our ways of working and developing common tools, processes and capabilities across markets. Particular focus will be on further improving our end-to-end demand, material and supply planning expertise.

**OUR WINNING CULTURE**

To deliver on our ambition of being the most successful, professional and attractive brewer in the markets where we operate, our company culture is key. Our winning culture focuses on our people, our behaviours and our contribution to societies at large.

**PURPOSE- AND PERFORMANCE-DRIVEN PEOPLE**

We are proud of our purpose “Brewing for a better today and tomorrow”. Current and prospective employees look for companies with a clear purpose, a high sense of social responsibility, and work that has meaning and gives them a sense of belonging. In SAIL’27, we will build on our strong foundation, maintaining our triple A (Alignment, Accountability, Action) behaviours, sharpening leadership expectations, strengthening the talent pipeline and management, and accelerating our diversity, equity and inclusion journey.

**TOGETHER TOWARDS ZERO AND BEYOND**

As part of our sustainability programme Together Towards ZERO, we were one of the first companies to introduce science-based climate targets and set ambitious targets for carbon, water, health & safety and responsible drinking. We have made strong progress and will continue to focus on delivering against our targets.

In SAIL’27, we will build on this existing momentum and performance, while expanding the scope and raising our ambitions, launching an expanded ESG programme that we call Together Towards ZERO and Beyond.

Together Towards ZERO and Beyond focuses on our four existing priorities: ZERO carbon footprint, ZERO water waste, ZERO irresponsible drinking and a ZERO accidents culture. In addition, we will introduce sustainable agriculture and packaging as focus areas, including specific and measurable targets in line with the existing programme.

We will provide more details on the expanded programme, including updated targets and ambition levels for carbon and water and a comprehensive introduction to our new focus areas – sustainable agriculture and packaging – in April.
LIVE BY OUR COMPASS
Living by our ethical values – our Compass – mitigates risks and protects our reputation as a responsible brewer. We will continue to embed a culture of compliance and integrity to drive consistent ethical behaviour in the way we do business within Carlsberg and beyond.

FUNDING OUR JOURNEY
The Funding our Journey programme builds on our successful Funding the Journey culture, which has become integrated in our ways of working since the successful conclusion of the Funding the Journey programme in 2018.

Funding our Journey will be important to free up resources, enabling us to invest more in our brands, allocate significantly higher investments to certain markets, step up investment in capability building and Together Towards ZERO and Beyond, and offset inflationary pressures.

Funding our Journey is organised around specific workstreams where we see scope for further efficiencies and cost reductions, not least within supply chain and operating costs, and capital efficiency, including areas such as trade working capital and capital expenditure.

We will continue our rigorous performance management discipline, applying our Golden Triangle concept and Operating Cost Management (OCM) tool to track progress and manage pacing and phasing of individual efficiency initiatives.