Market visit

Warsaw, Poland
11 September 2014

Carlsberg Group

Agenda

Jørn Tolstrup Rohde
SVP Western Europe

Western Europe
- An attractive beer market

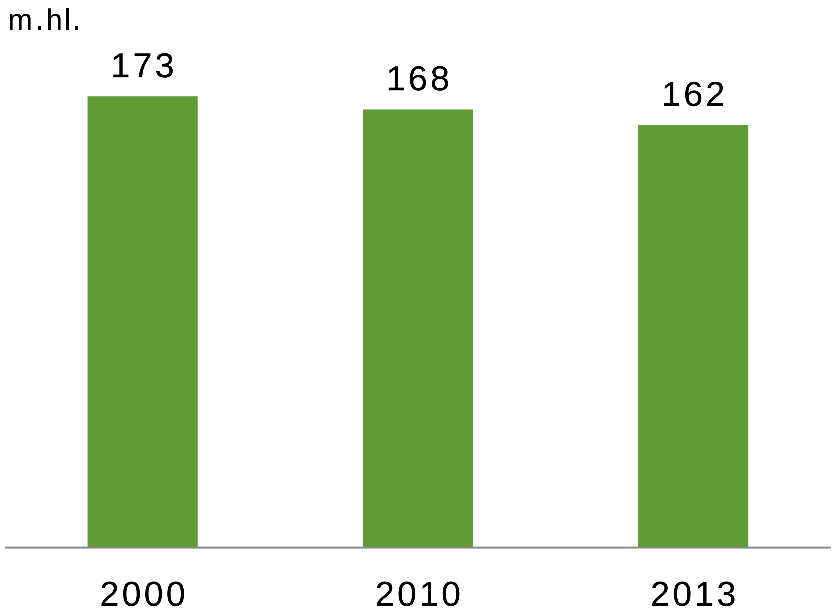
Carlsberg Group in Western Europe
- Creating shareholder value

Strategy
- Driving top line growth while transforming our operating model to deliver efficiencies

Country examples

Western Europe - beer volumes have been decreasing, but value has been growing

Western Europe markets Beer volumes



CAGR 00-10 **-0.3 %**

CAGR 10-13 **-1.3 %**

Western Europe markets Beer retail value

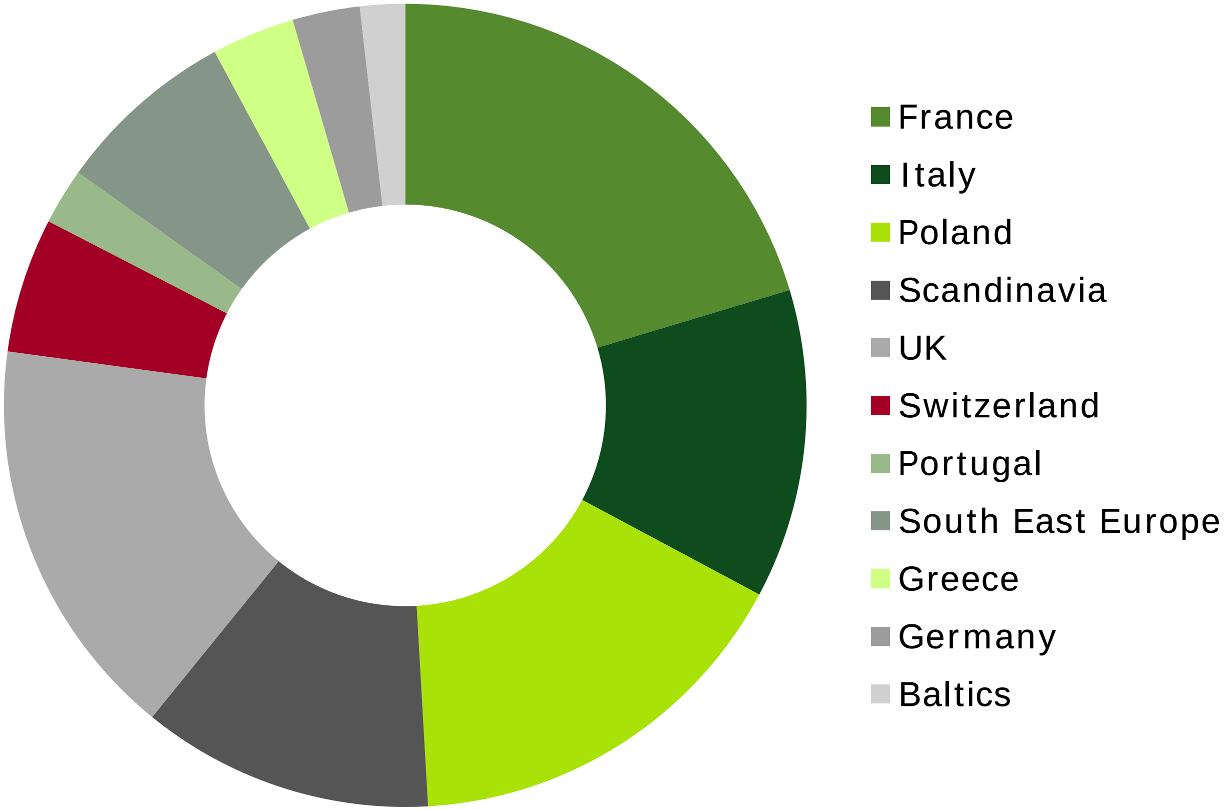
CAGR 00-10 **+0.3 %**

CAGR 10-13 **+0.5 %**

Source: Volume based on internal estimates; retail value from Datamonitor (only off-trade)

Western Europe beer markets – representing a sizeable profit pool

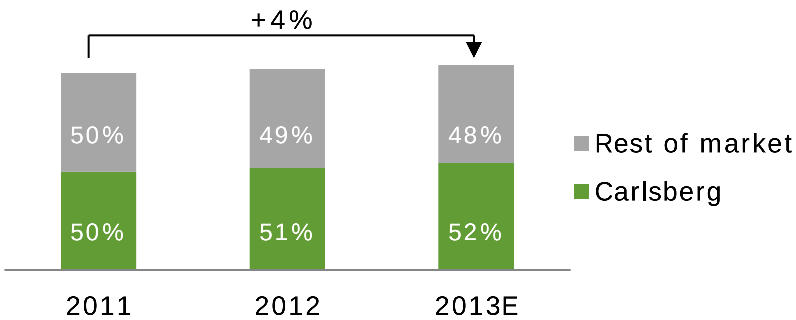
- Western Europe beer markets profit pool
  – EBIT of DKK 11bn



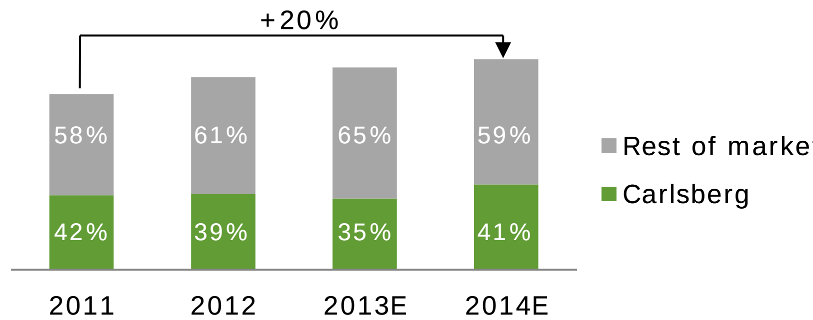
Source: Internal estimates

Always looking for opportunities in pockets of growth in the Western European markets

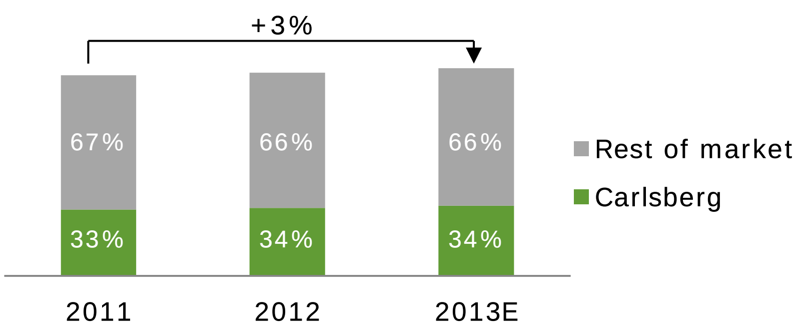
... in packaging
Country X
Cans volume



... in price segments
Country Z
Specialty beer volume



... in channels
Country Y
Discounters volume



... in segments

Fresh / less processed

non-pasteurized

Cider

Western Europe – half of Carlsberg Group

	Western Europe	Eastern Europe	Asia	Group
				
2013 % of net revenue	58	27	15	
2013 % of EBIT	47	36	17	

Overview of markets in Western Europe

SWEDEN
Carlsberg Sverige
- No. 1
- Market share: 33%
- Breweries: 1

NORWAY
Ringnes
- No. 1
- Market share: 54%
- Breweries: 2

FINLAND
Sinebrychoff
- No. 1
- Market share: 53%
- Breweries: 1

FRANCE
Kronenbourg
- No. 1
- Market share: 29%
- Breweries: 1

POLAND
Carlsberg Polska
- No. 3
- Market share: 19%
- Breweries: 3

UK
Carlsberg UK
- No. 4
- Market share: 15%
- Breweries: 1

SWITZERLAND
Feldschlösschen
- No. 1
- Market share: 43%
- Breweries: 1

BALTIC STATES
Saku
Aldaris
Svyturys-Utenos Alus
- No. 1
- Market share: 33-41%
- Breweries: 3

DENMARK
Carlsberg Danmark
- No. 1
- Market share: 51%
- Breweries: 1

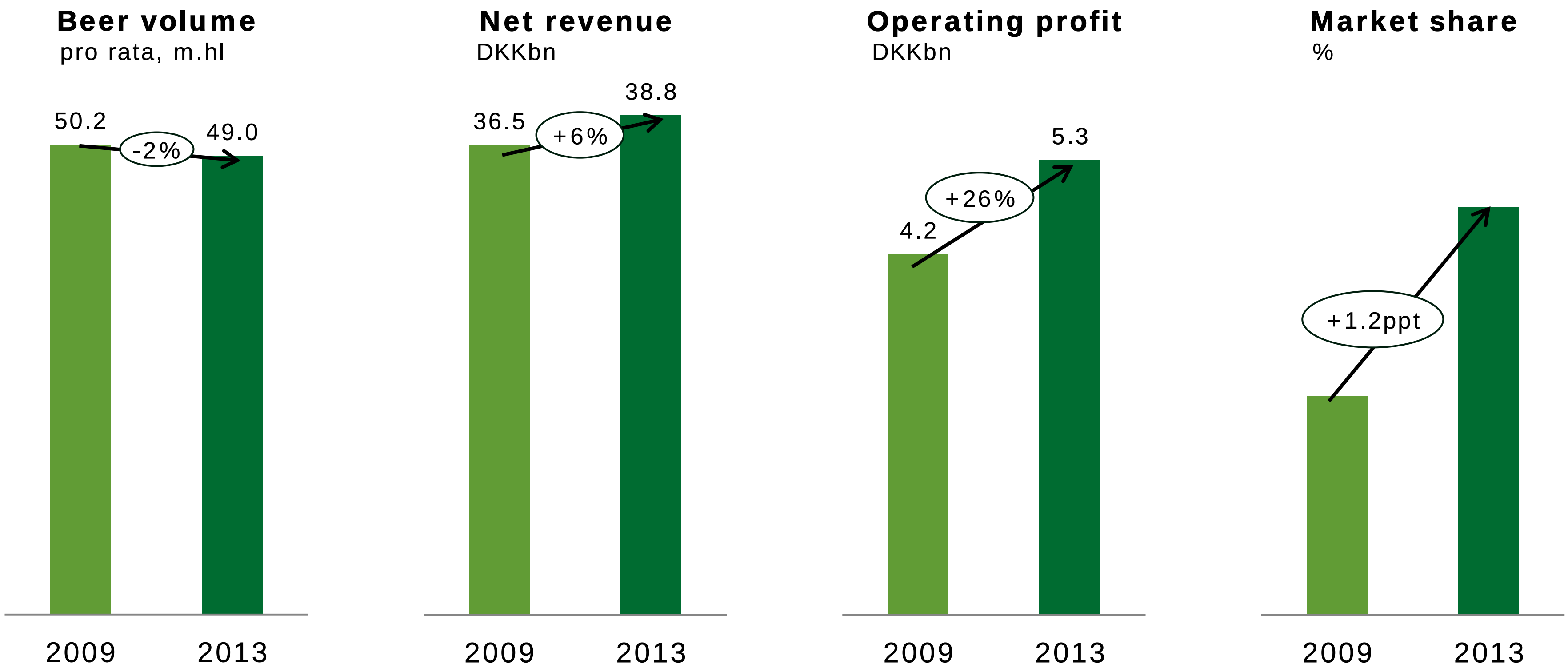
PORTUGAL
Unicer
- No. 1
- Market share: 48%
- Breweries: 1

GERMANY
(Northern)
Carlsberg Deutschland
- No. 1
- Market share: 16%
- Breweries: 2

SOUTH EAST EUROPE
Carlsberg Serbia
Carlsberg Croatia
Carlsberg Bulgaria
Carlsberg Greece
- No. 2-3
- Market share: 15-26%
- Breweries: 5

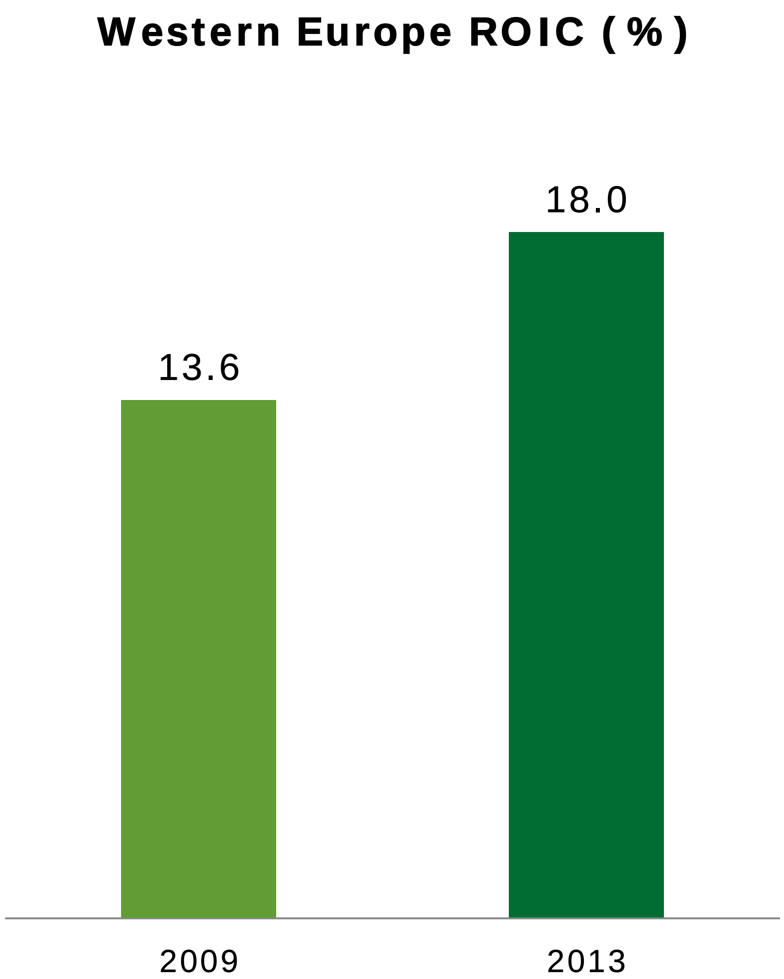
ITALY
Carlsberg Italia
- No. 4
- Market share: 7%
- Breweries: 1

Outperforming the market in a challenging environment…



…creating significant shareholder value

- Main drivers of ROIC improvement:
  - Improved operating margin
  - Decreased invested capital
- Since 2009 Western Europe has
  - Increased operating profit margin from 11.6% to 13.6%
  - Decreased trade working capital



Western Europe created to capture benefits and outperform competition

- Western Europe region created to
  - Accelerate benefits from new operating model
  - Outperform competition

End 2012 one Western Europe region was created …	… to strengthen execution of the Western Europe transformation journey…	…and deliver on our ambition in Western Europe
	• Implement a new operating model – BSP1 – in strong partnership with Carlsberg Supply Company • Leverage scale benefits across all functions and markets • Execute with determination and speed	• Drive profitable top- and bottom-line growth ahead of our peer group in Western Europe • Develop competitive best practices for the Group • Develop a high performing and mobile talent base

Win by driving top line growth while transforming our operating model to deliver efficiencies

- Drive top line growth by capitalising on pockets of growth
  - Brands
  - Innovation
  - Customers
- Transform our operating model to deliver efficiencies
  - BSP1
  - Model organisation and shared services
  - Sales efficiency
- Leveraging our people assets
  - Performance culture
  - People development
  - Mobile talents
- Ensure
  - Environment
  - Packaging
  - Responsible drinking

International premium brands delivering 5% annual net revenue growth since 2011

International premium brands net revenue*

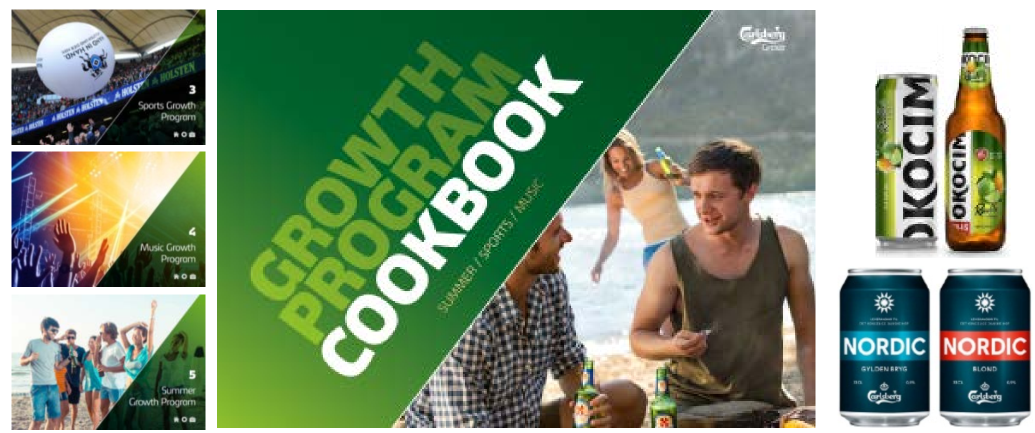
* In Western Europe

Strong focus on local power brands delivering positive results since 2011

Local power brands net revenue*

- Strong re-launches

- Common growth programs and innovations



* In Western Europe

Increasing pace of innovations in Western Europe

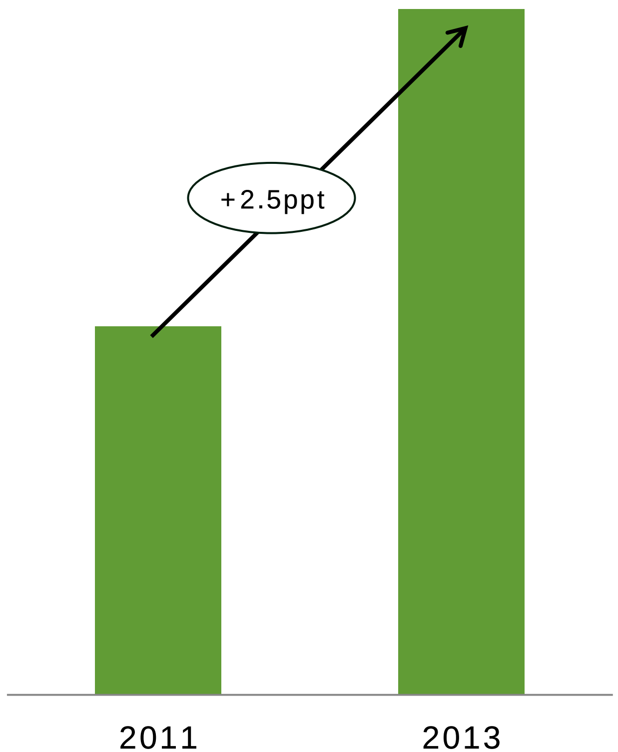
- Creating winning pipelines for our international brands

- Creating new winning growth platforms for local brands

- Developing new brands for new profit pools

- Technology enablers

Innovation share of net revenue*

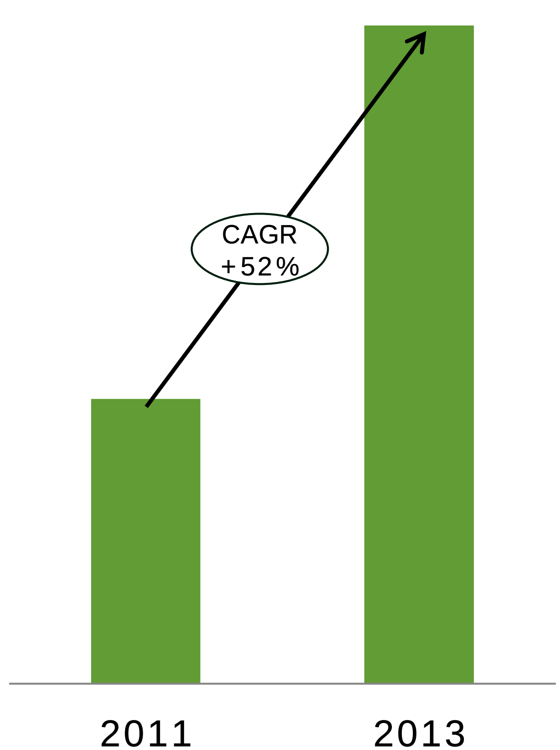


* In Western Europe

Somersby – the world's fastest growing cider brand delivering strong growth in Western Europe

- Now in more than 40 markets around the world

Somersby Western Europe net revenue



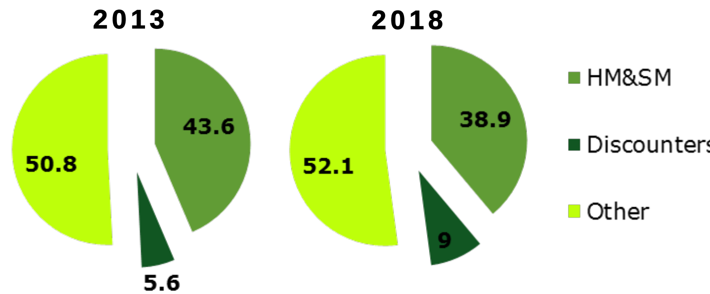
Strong programmes in place to drive growth with key customers in challenging environment

Channel mix migration

- Customers shift from on-trade to off-trade

Retail environment changing

Source: IGD Retail Analysis UK Channel Forecasts 2013-18



- Retailer concentration
- Discounter growth
- Multi-channel shopping & E-commerce

2014 key initiatives

Value management

Category / Customer partnerships

Capability programme

In-store execution

In-Store execution is a key strategic choice: …. Carlsberg ‘FIT’ model being rolled out

Focus – Clear pictures of success

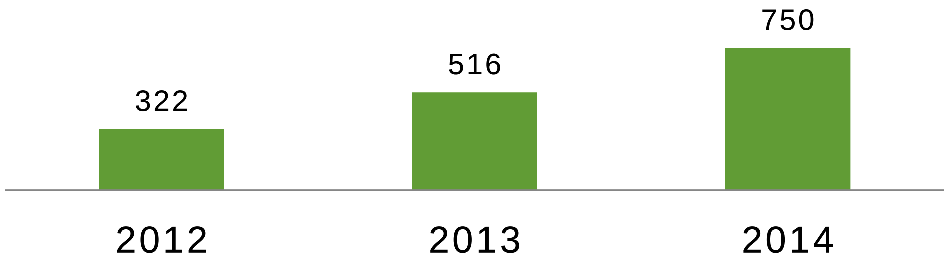
Implement – Sell-out skills, coaching sales aids

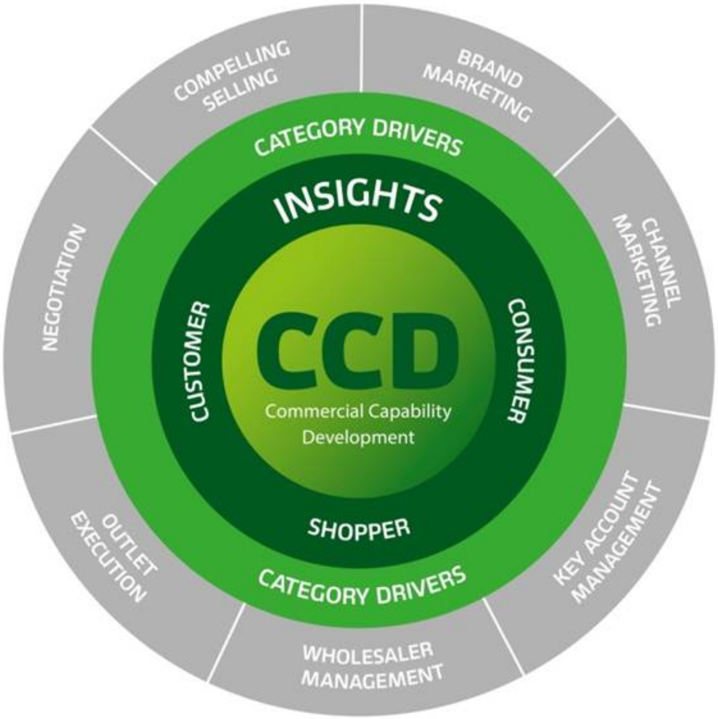
Track – Clear targets, incentives, retailer insights and audits

700+ commercial managers participate in the Commercial Capability Development programme

- Since launch in 2012 the Capability Development Programme has:
  - Standardised processes and tools for a common way of working across all markets
  - Developed breadth and depth of content to improve market capabilities and individual competencies
  - Improved alignment of functional plans and execution within markets
  - Promoted sharing of ideas and activities across markets
  - Facilitated movement of talent

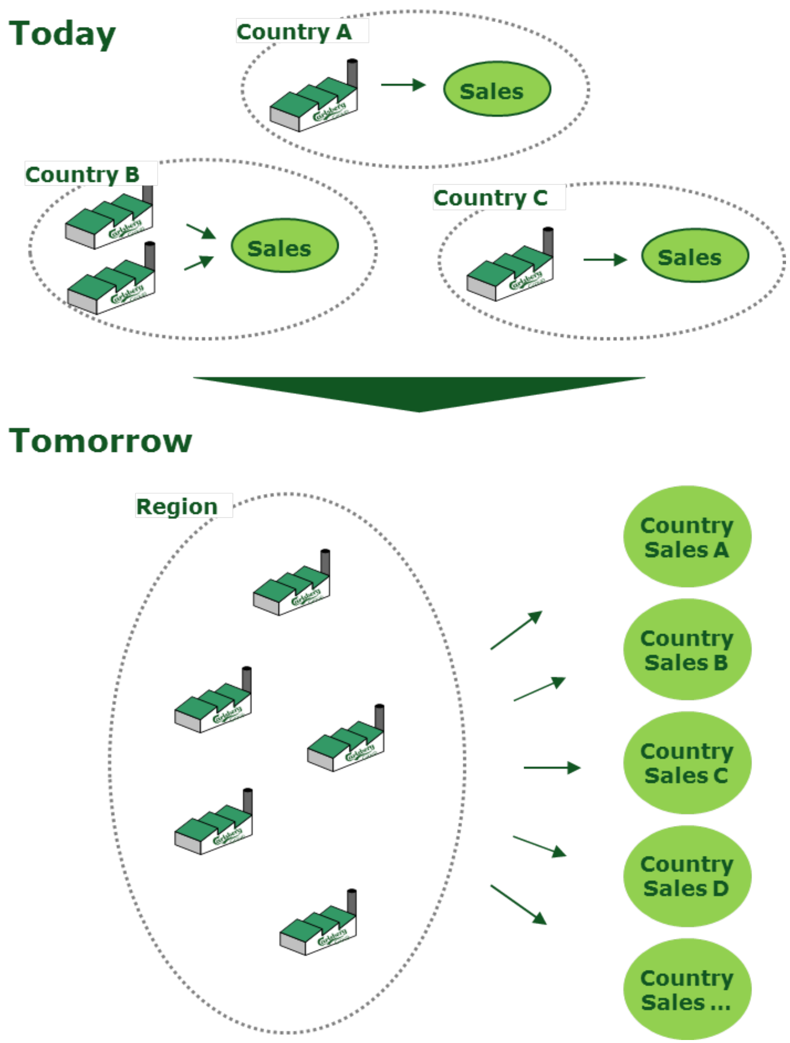
No. of people participating





BSP1 - transforming our operating model via supply chain integration and business standardisation

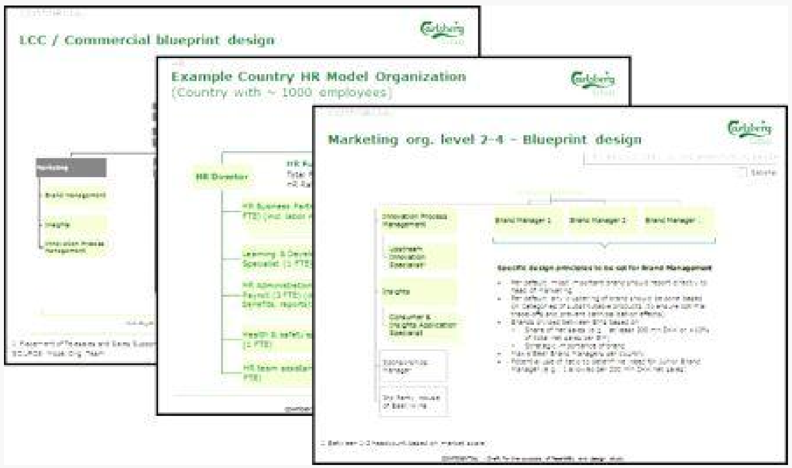
- Implementation of BSP1 in Western Europe during 2013 - 2015
- Centralising management of procurement, production, planning and logistics across Western Europe
- Benefits of BSP1
  - Improve capabilities
  - Improve customer service and efficiency
  - Increase speed
  - Optimise asset utilisation
- Implementation schedule on track
  - Markets on BSP1 by August 2014: Sweden, Norway and UK
  - Markets going live Q4 2014: Poland, Finland and Switzerland



Examples of sales/admin efficiency programmes: Model organisation and Field Force Efficiency

Model organisation and SSC

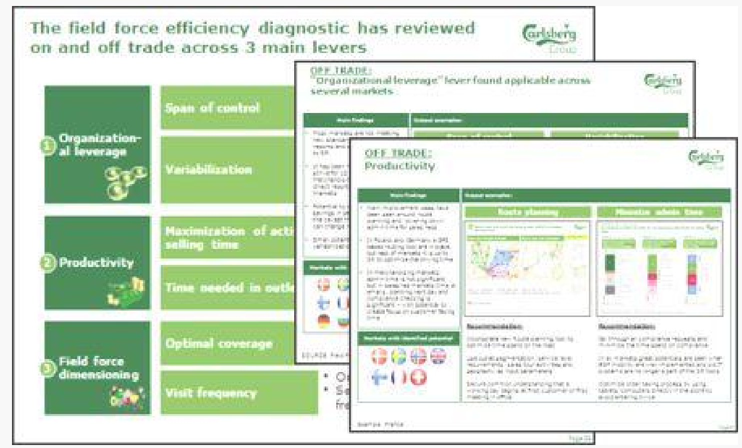
Organizational alignment



- Commercial organisations aligned to blueprints post BSP1; however, also tailored to market characteristics
- Shared service centre leveraged across all functions

Field Force Efficiency (FFE)

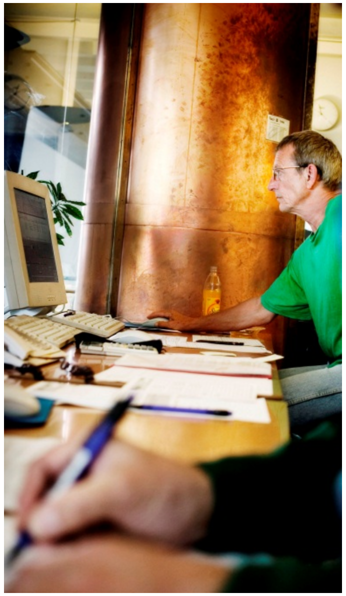
Efficiency from new ways of working



- Improvements driven within organisational leverage, productivity in/between outlets and optimum coverage/frequency
- Joint processes and tools across markets

A number of key enablers to leverage the most important asset: our people

- Performance management strengthened
  - Clear process supported by global tools
  - Strong link to people development (e.g. People Boards)
- Strengthened people development
  - Functional development programmes
  - Leadership programmes
  - Focus on talent development
- Mobility that makes a difference
  - More than 100 Short Term Assignments in 2013
  - International mobility integrated into development path for high performers



Western Europe CSR strategy supports sustained and responsible growth

Carlsberg Group Strategy

Focus areas:

Environmental Efficiency	Sustainable Packaging	Responsible Drinking

Enablers:

CSR COMMUNICATION

Support:

CSR MANAGEMENT

- Policy implementation
- Local implementation
- Reporting

We drive positive change in every market

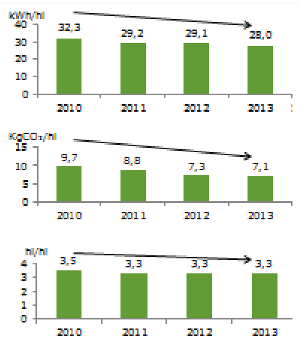
1 Engaging with society
Example: Sweden, CSR Day

2 Driving responsible drinking
Example: Denmark, Drink with Respect

DRIK MED RESPEKT
for at Roskilde varer 9 dage

DRIK MED RESPEKT
for den søde pige i nabolejren

3 Driving efficiency in production
Example: data 2013 CSR report



TOTAL ENERGY
-13% in 3 years

CO_2 EMISSIONS
-27% in 3 years

WATER
- 6% in 3 years

4 Drive Sustainable Packaging
Example: Poland initiative

A few examples of markets with strong performance

France

- Context
  - Market leading position acquired in 2008
  - Market premiumising but negative channel mix
  - Years of market share decline
- Key initiatives
  - Portfolio revamp and innovation drive
  - Efficiencies
  - Strengthened team
- Results
  - Market share growth during past 12 months
  - EBIT doubled since 2008

Norway

- Context
  - Full beverage portfolio, overall market leader
  - Stable market development
  - Not capturing full potential of strong brand portfolio
- Key initiatives
  - Value management
  - In-store execution
  - Efficiencies
- Results
  - Market share growth in beer
  - Very strong financial performance

Poland

- Context
  - In 2009, distant number three player
  - Stable beer market
  - Modern trade growth, especially discounters
- Key initiatives
  - Local power brand rejuvenation
  - Successful launch of Group innovations
  - In-store execution
- Results
  - Market share from 12% to 20%
  - Very strong financial performance

Q&A

Agenda

Tomasz Bławat
CEO Carlsberg Polska

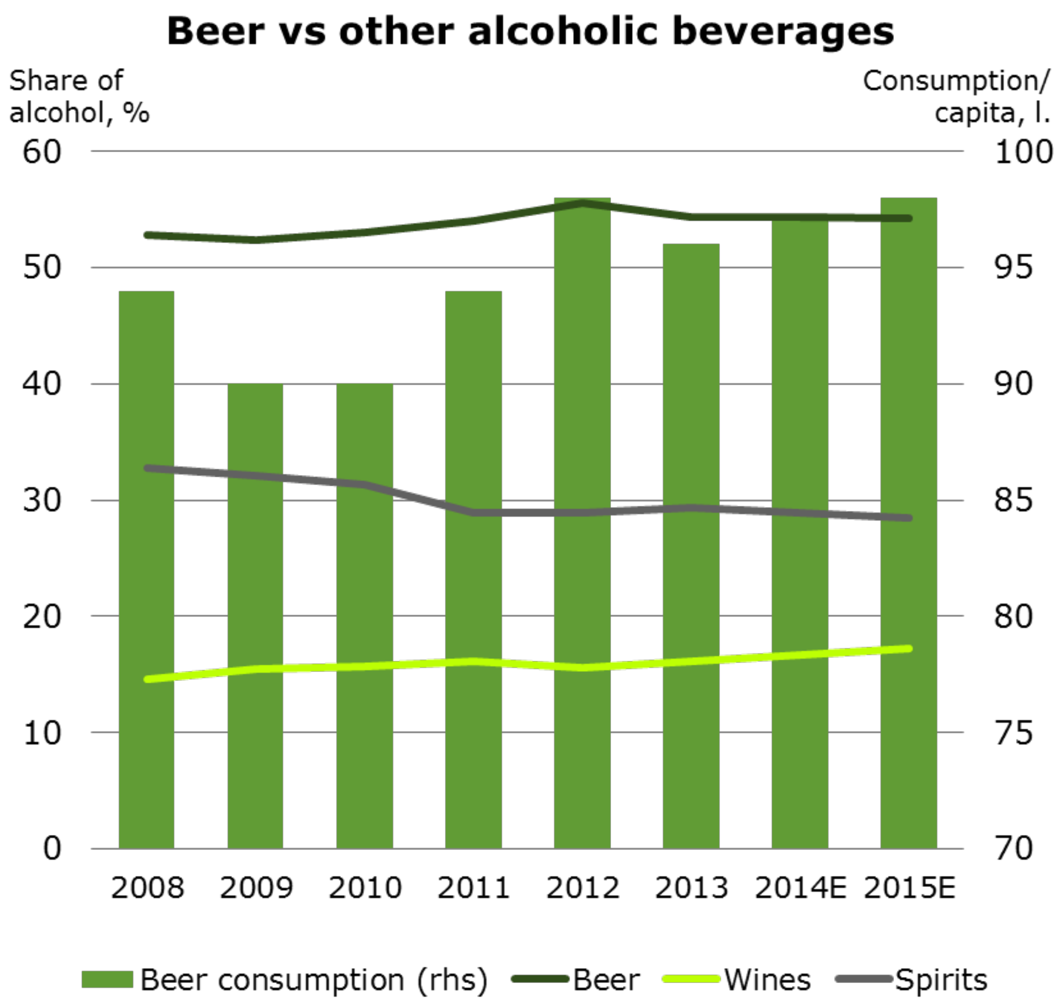
Polish beer market

Carlsberg Polska in brief

Driving growth

Summary

Alcoholic beverages share of throat - Stable and dominant position of beer



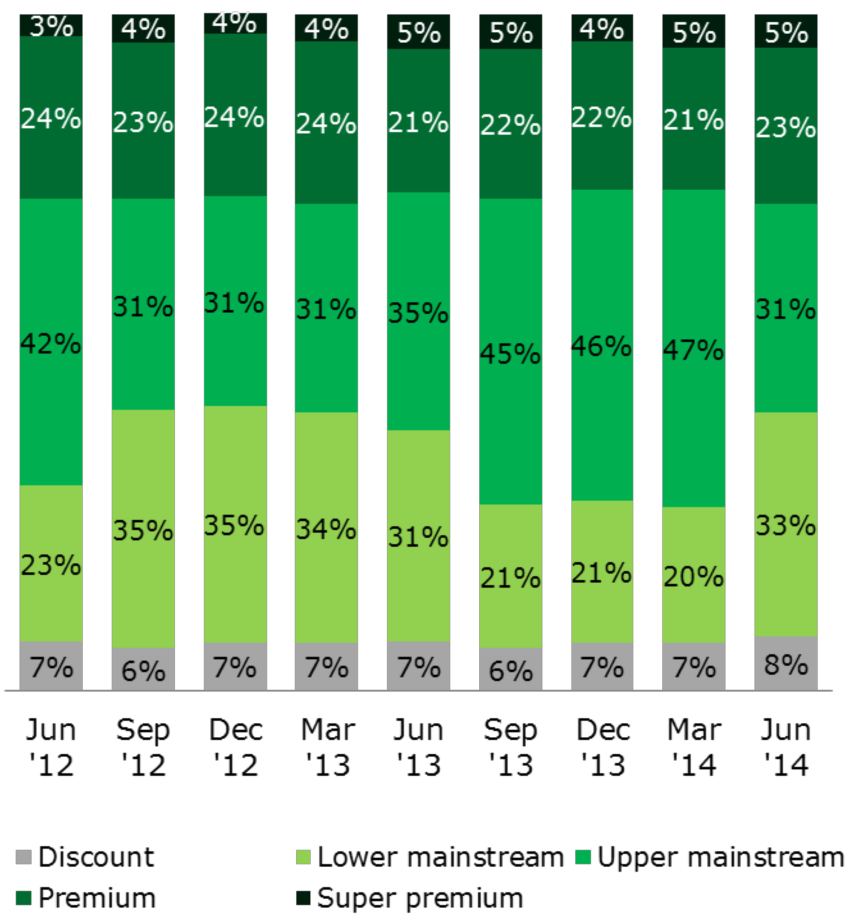
Source: Statistical Office, Canadean

Beer landscape in Poland:
A maturing, competitive market

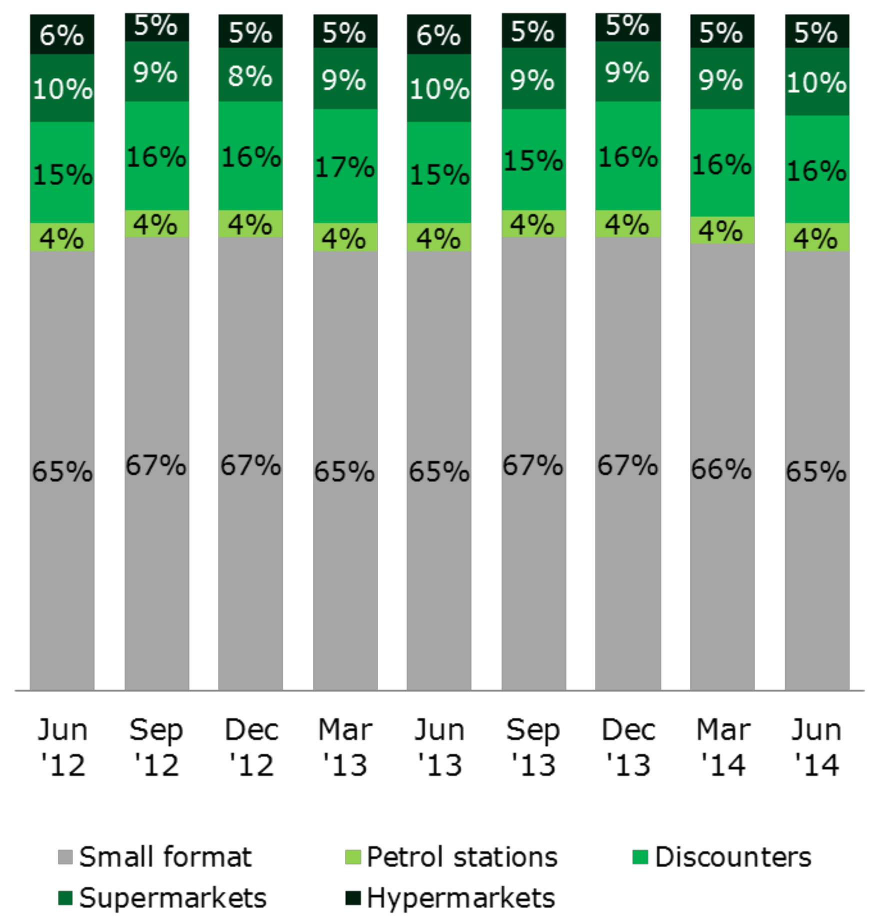
- Over 80% with top 3 players
- Positive to neutral image of beer
- Stabilised at c. 38m hl
- Per capita consumption of 96 litres
- Growing segments:
  - Non-beer taste
  - Craft
  - Specialties

Market segmentation – price and channel

Price segmentation*

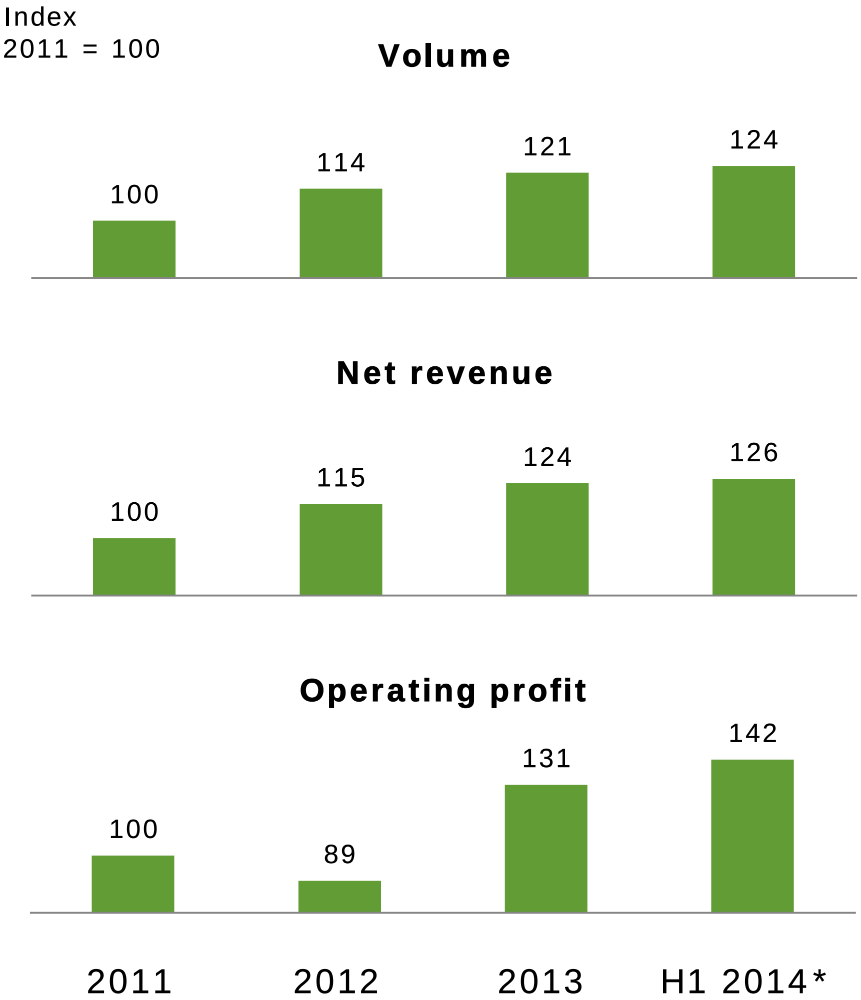


Channel mix*



* Source: ACNielsen retail panel (rolling 3 months)

Carlsberg Polska
Growth momentum sustained after EURO



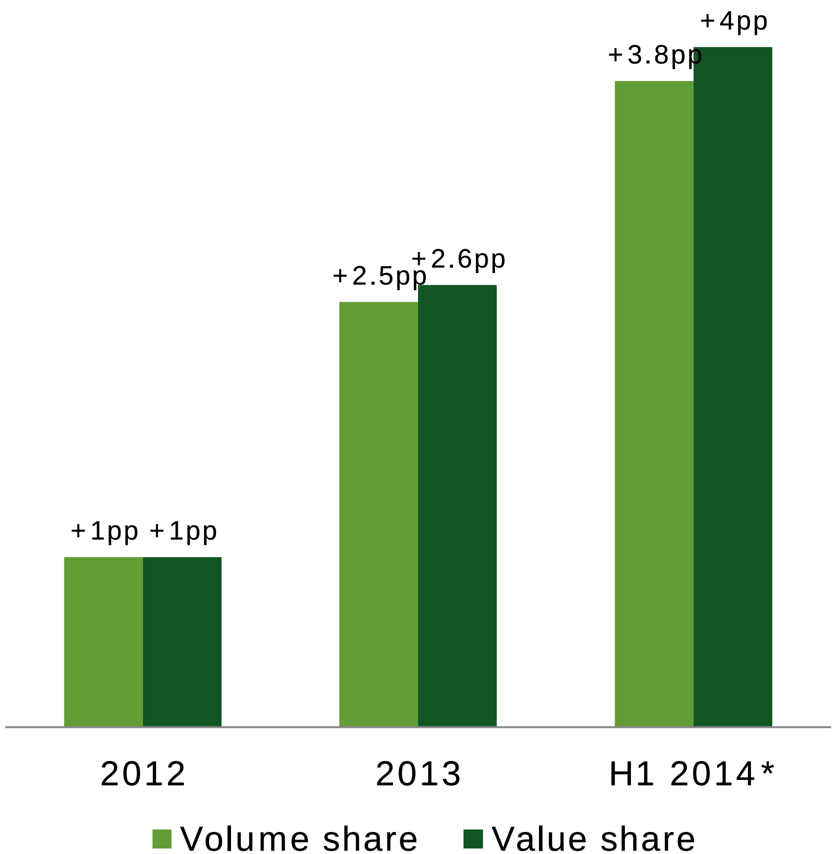
* Rolling twelve months

Carlsberg Polska –
Building value share ahead of volume

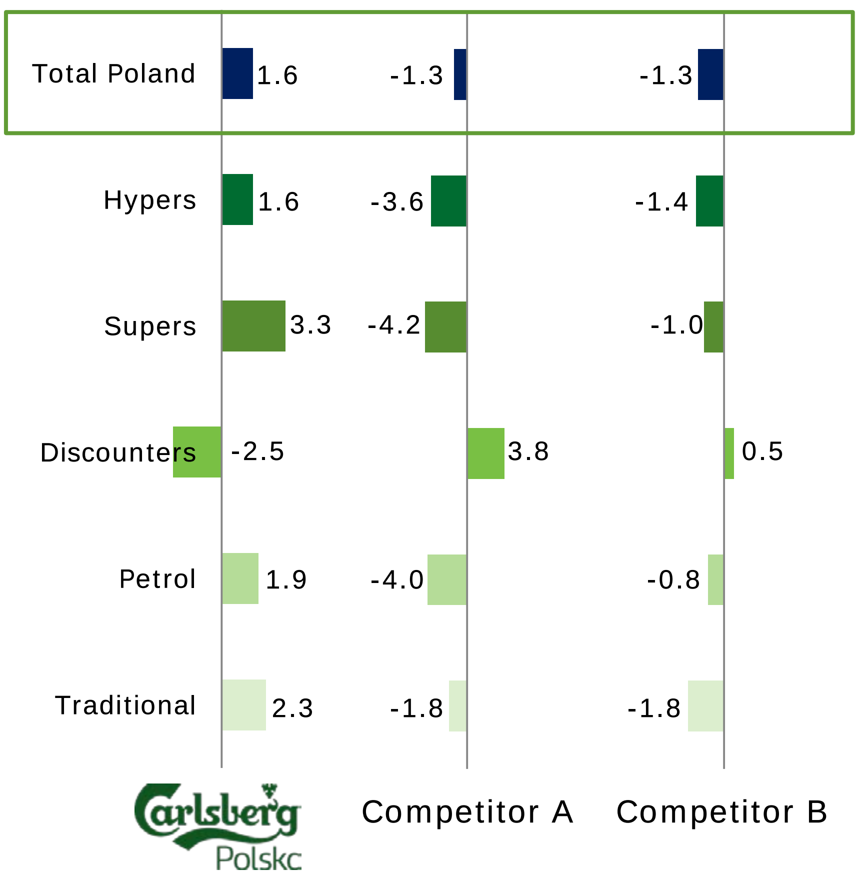
Carlsberg Polska

Polska

Carlsberg Polska
Volume & value market share

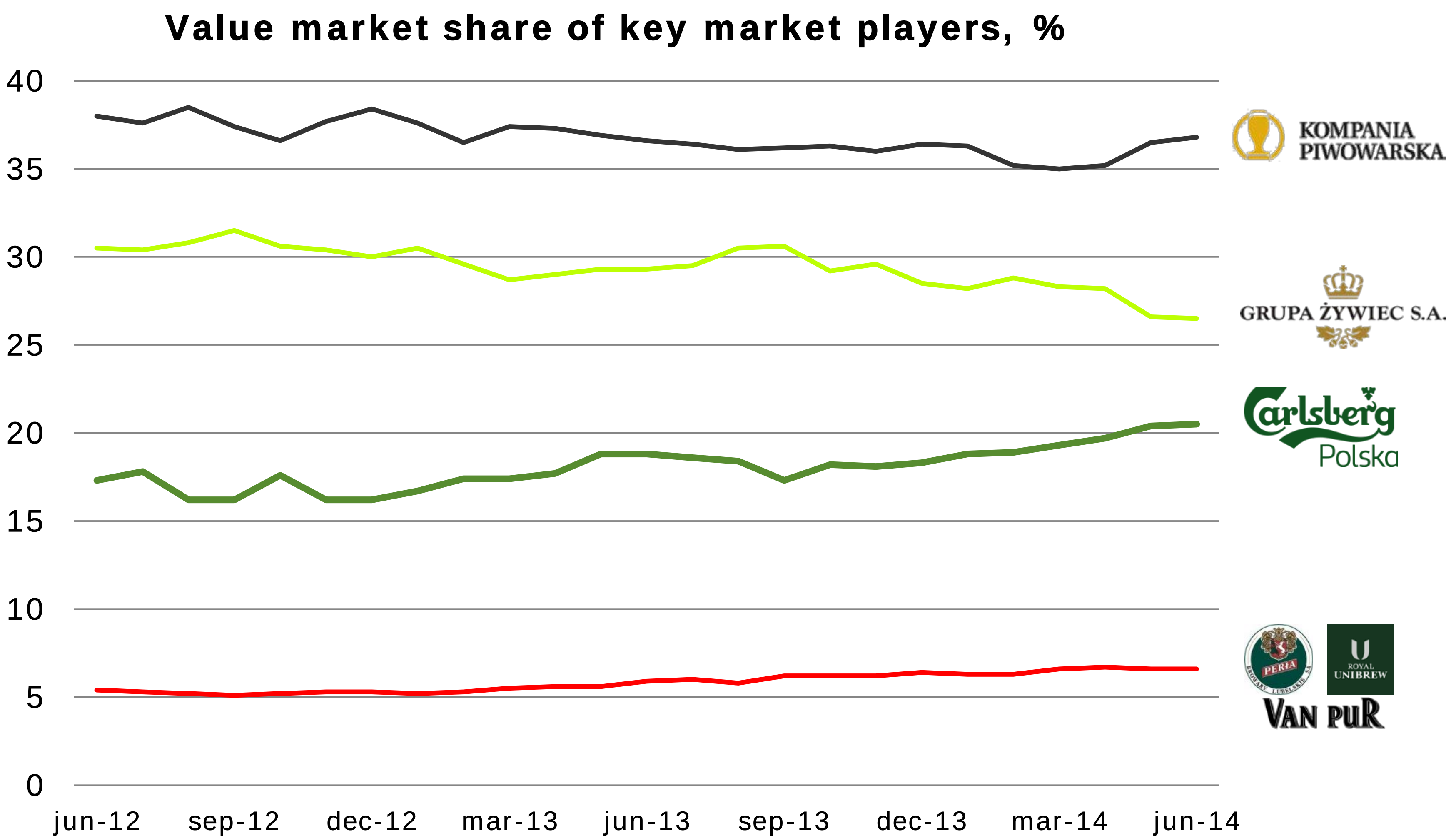


Value share development in channels, pp
H1 ‘14 vs. H1 ‘13 (RTM)



Source: ACNielsen retail panel
* H1 ‘14 vs. H1 ‘13 (RTM)

Carlsberg Polska –
Strengthening market position



Source: ACNielsen retail panel

Carlsberg Polska
Drivers of growth aligned with group agenda

Building national brand portfolio

Executing in the market

Securing supply

Driving effectiveness and efficiency

Developing and engaging people

Carlsberg My Own Company

Drivers of growth: National brand portfolio
Brands across all sizeable segments

Segment		Carlsberg brand	Share of total volume*
Cool party beers		Somersby	2%
Beer mix / Flavoured		Karmi Okocim Radler	3%
International premium		Carlsberg	7%
Strong		Okocim Mocne	6%
Mainstream	Upper	Okocim JP Kasztelan	28%
Mainstream	Lower	Harnaś Książ	45%

* MAT (08.2013-07.2014)
* Ex-factory Data

Drivers of growth: National brand portfolio
Applying Group portfolio tools

Upper mainstream	Mainstream	Lower mainstream

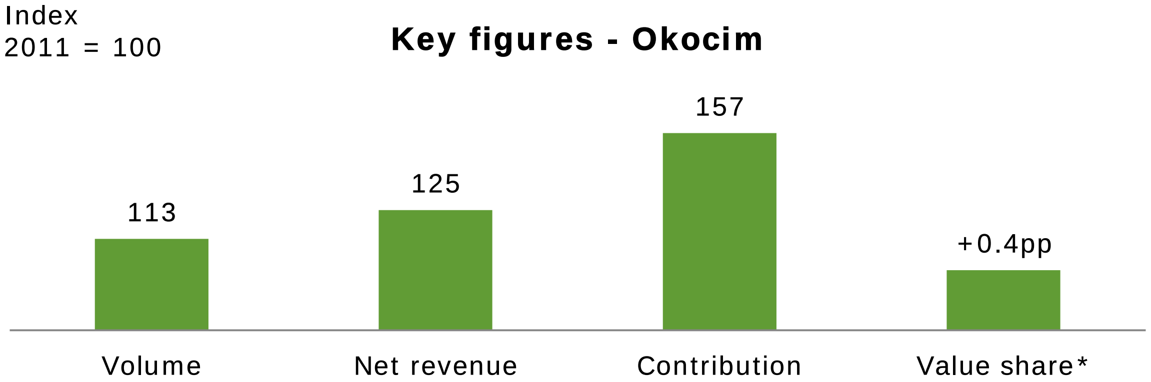
Upper mainstream

Mainstream

Lower mainstream

Drivers of growth: National brand portfolio
Local power brand - Okocim

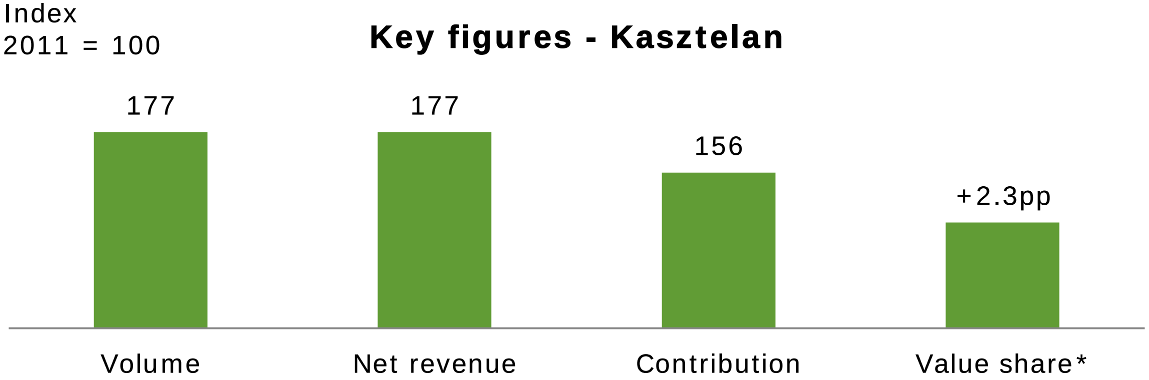
- Upper mainstream price
- Relaunched in 2013
- Young / dynamic / challenge
- Association with sports
- Superior radler taste
- Differentiated communication



* ACNielsen data

Drivers of growth: National brand portfolio
Local power brand - Kasztelan

- Mainstream price
- Launched nationally in 2010
- Freshness from nature
- Association with barbecue and food
- Non-pasteurized
- Communication



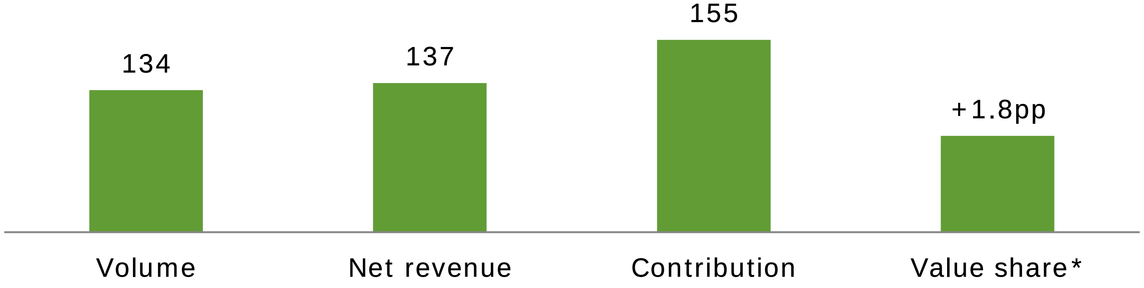
* ACNielsen data

Drivers of growth: National brand portfolio
Local power brand - Harnaś

- Lower mainstream price
- Launched in 2003
- Reward after work
- Association with mountains
- Great lager taste
- Communication

Index
2011 = 100

Key figures - Harnaś



* ACNielsen data

Drivers of growth: National brand portfolio
Non-beer taste changing the mix

- Capitalizing on market trend
- Recruiting new users
- Value above average
- Well received by trade
- Dynamically growing new launches:
  - Somersby
  - Okocim Radlers
- Karmi re-launch

Drivers of growth: National brand portfolio
Utilising craft trend

- Responding to market trend
- Portfolio
  - Affordable
  - Aspirational / traditional
  - Super premium
- Gaining shares
- Improving the mix
- Above-average net sales and margin

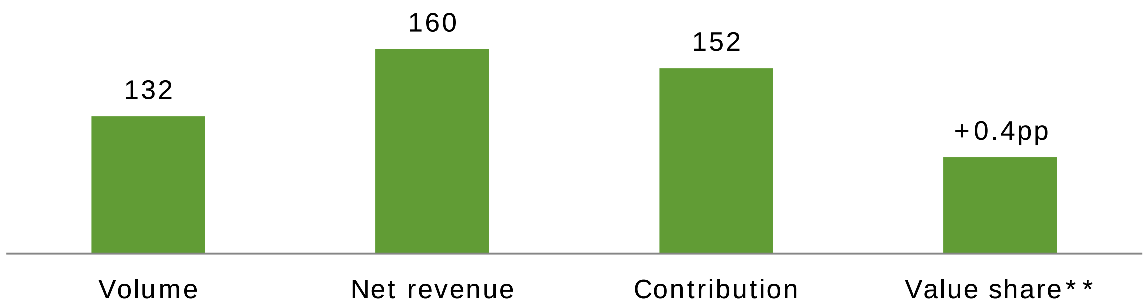
Drivers of growth: National brand portfolio
Strong position within international premium

Biggest IPB* in Poland

Most premium

Fastest growing

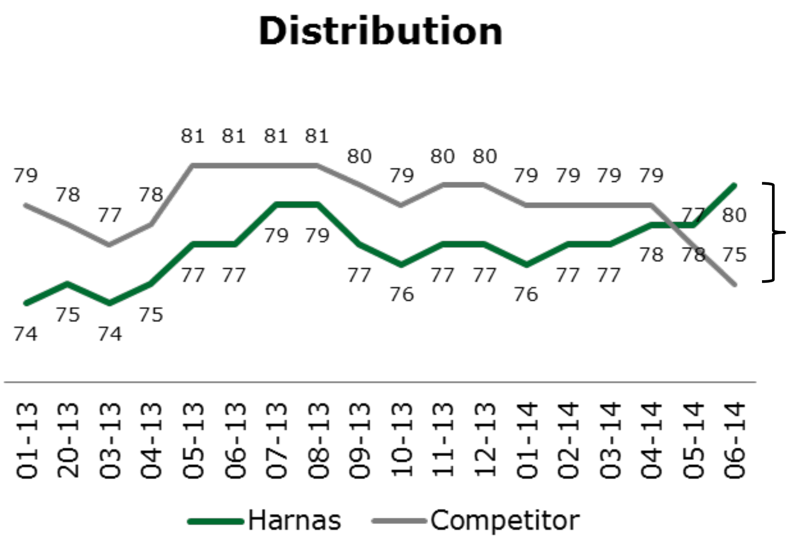
Key figures – International premium brands



* Internation premium brands
** ACNielsen data

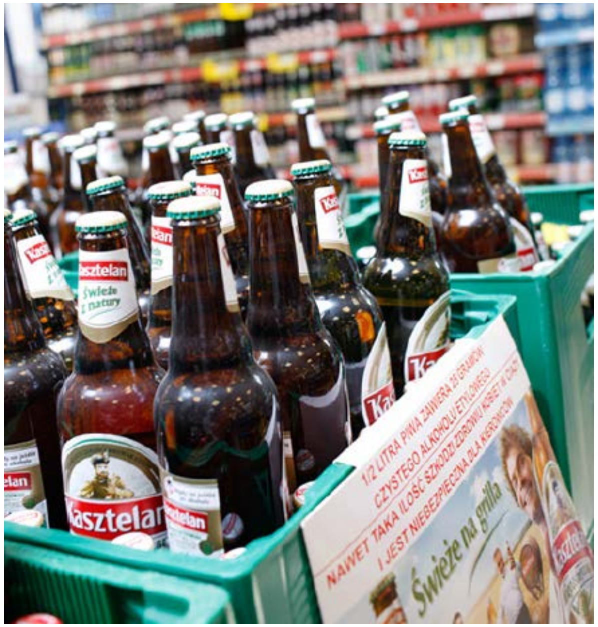
Drivers of growth: Executing in the market
Focused and stable execution agenda

- Building value by scale
- Clear priorities
- Alignment across the value chain
- Focused on growth drivers agenda
- Consumer facing investments
- Supported by incentive schemes



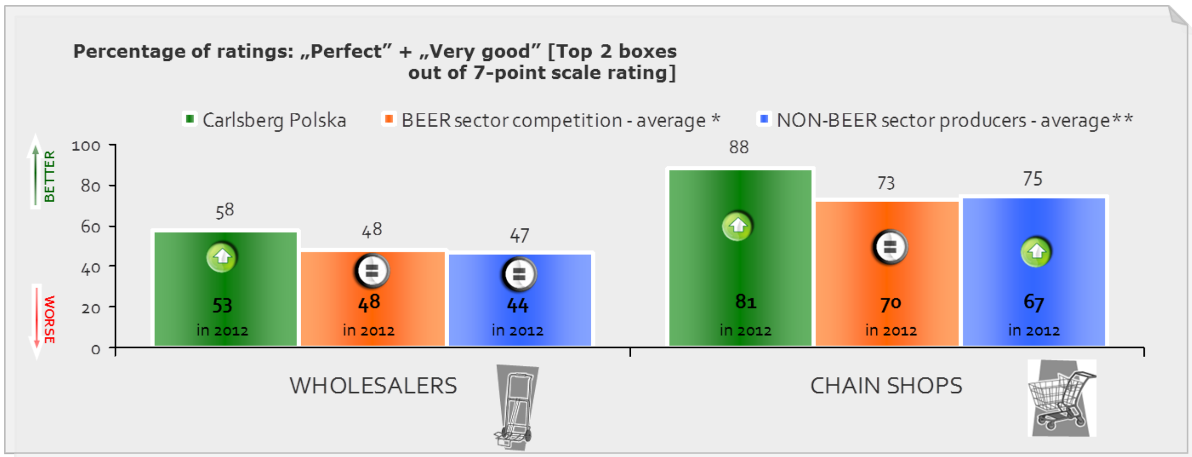
Closing the gap

- Distribution of Harnas exceeding competitor in June 2014



Drivers of growth: Securing supply
Investing behind client satisfaction

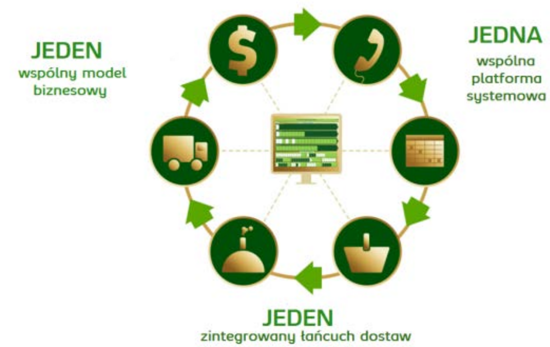
- Investments in capacity
- Investments in logistics
- #1 supplier 2013***



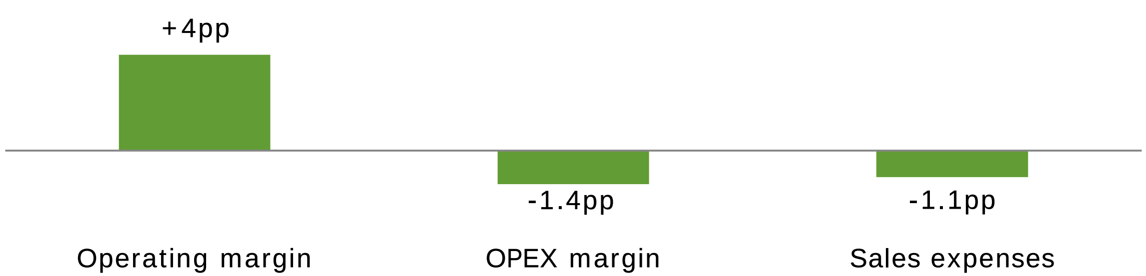
* Kompania Piwowarska, Grupa Żywiec, Royal Unibrew
** Coca-Cola, Pepsico, Unilever, Pernod Ricard, Diageo
*** Satisfaction survey by PUZZLE RESEARCH

Drivers of growth: Effectiveness and efficiency Throughout the value chain

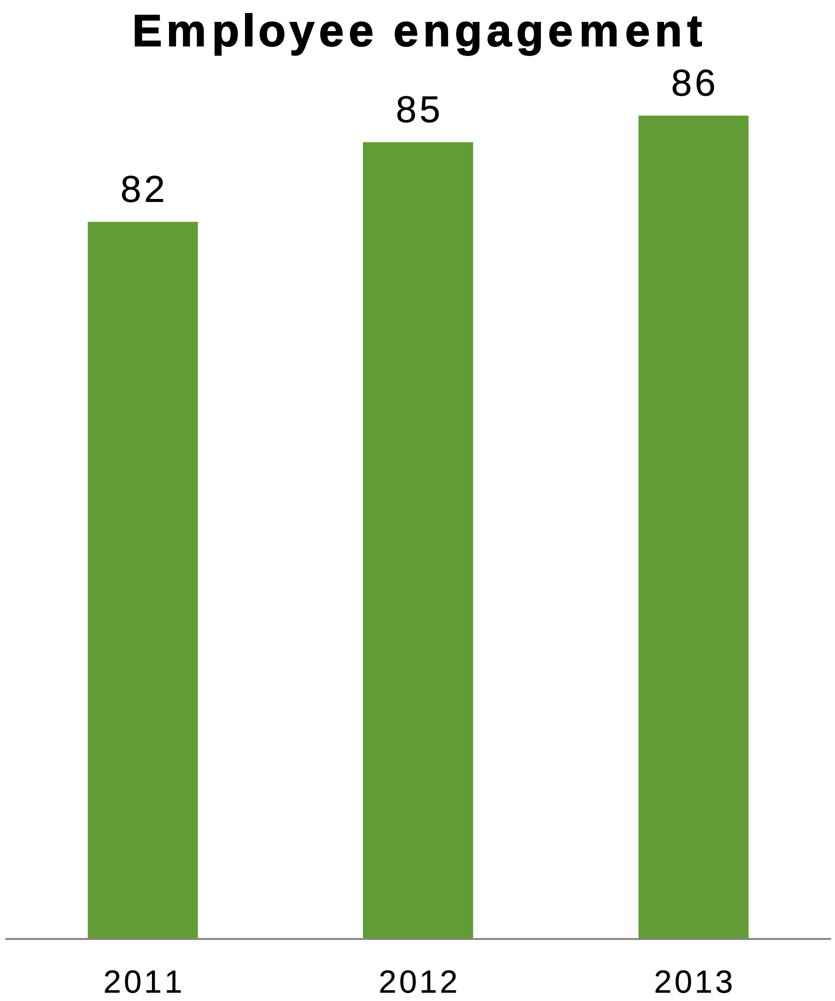
- Investing in new systems and ways of working
- BSP1 and effective and efficient supply chain
- Strict cost management
- Value management driving daily decisions
- ROMI (return on marketing investments) used for maximising above-the-line returns



Value KPIs – Dynamics last 24 months

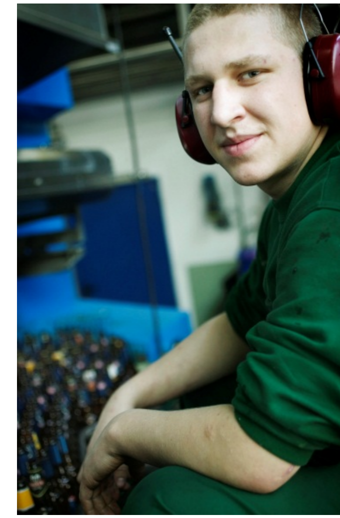


Drivers of growth: people engagement
Low turnover and absentism vs. FMCG norm



Drivers of growth: Carlsberg My Own Company

- Winning behaviours
- One team across functions
  - Ownership
  - Accountability
  - Bottom up cost control
  - Passion, drive to win
  - Investing in opportunities
  - CSR agenda



Carlsberg business in Poland - Leveraging CSR to drive business results

- Close cooperation with clients
- Cross-functional effort

- Growing shares with clients
- Reducing bottle loss
- Increasing engagement

Carlsberg Polska
Drivers of growth securing focused and stable agenda

Building national brand portfolio

Executing in the market

Securing supply

Driving effectiveness and efficiency

Developing and engaging people

Carlsberg My Own Company

Agenda

Paweł Piwowar
VP Sales, Carlsberg Polska

Win with the winners

Sales operating model

- Route-to-market
- Sales fundamentals execution

Field force efficiency

Summary

Market landscape in Poland

- Global customers are present
- Very fragmented market

Market landscape in Poland

Off-trade

- ~ 100,000 outlets*
- 90% of total universe (volume)

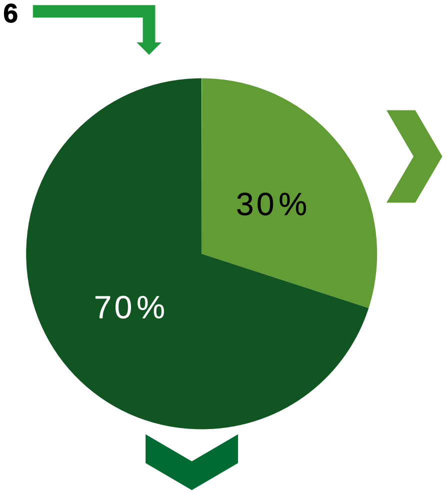
On-trade

- ~ 45,000 outlets*
- 10% of total universe (volume)

* Based on Nielsen data

Market landscape in Poland

- Beer is the biggest category in off trade



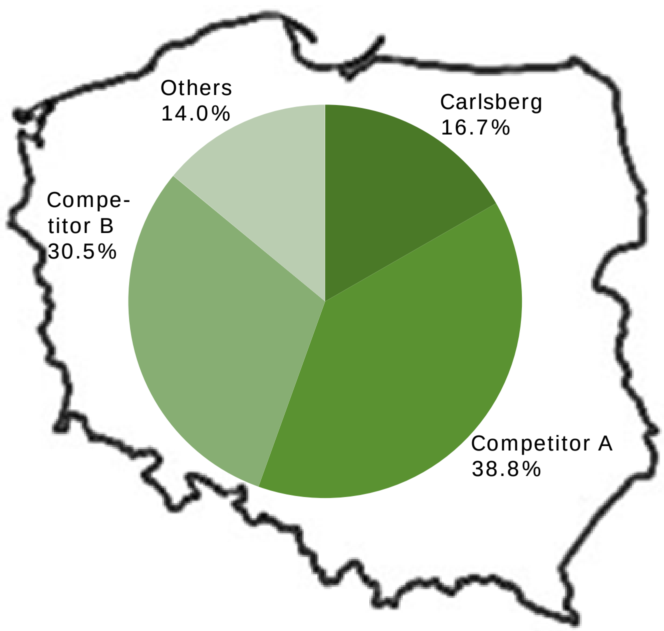
Modern Trade

Traditional Trade

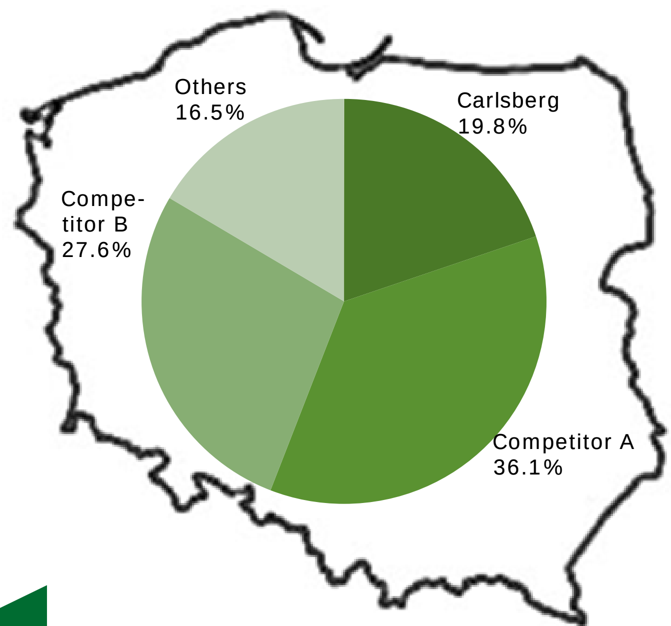
Carlsberg Polska gaining share in recent years

- Three main brewers have a market share of >80%

2011



2014



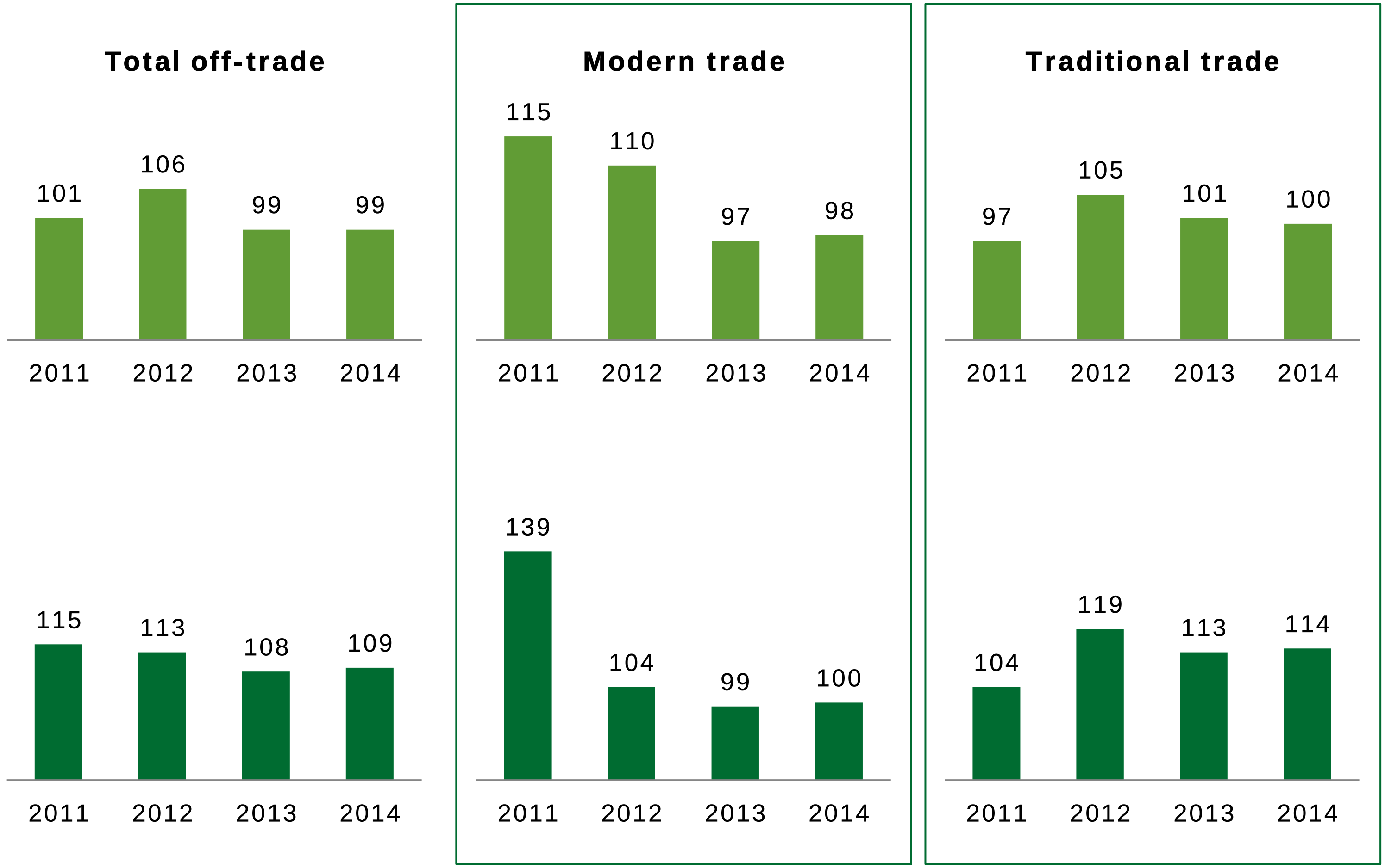
Market share increase of +3.1pp

Source: ACNielsen

Execute in the market – Win with the winners

- Sales value dynamics, indexed year-over-year

Beer category



Source: ACNielsen

Execute in the market –
Win with the winning customers

- Sales value dynamics, indexed year-over-year

Source: ACNielsen

Execute in the market – Route-to-market

Distribution model

Indirect

Wholesalers + C&C

Small format

On-trade

Direct

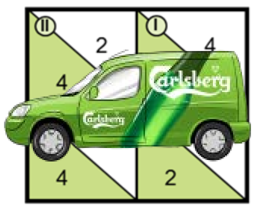
Large format

Service

Execute in the market – Route-to-market

- How we invest

- Zone strategy
  - Investment prioritised by geography



- Service system
  - Investment prioritised by outlets

- Organisation
  - Geography & outlet potential based

Execute in the market - In-store execution

Sales execution

Distribution

Pricing

Coolers

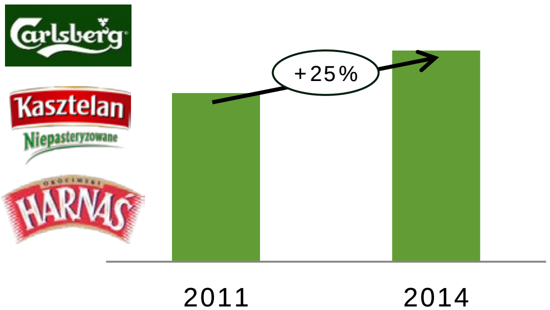
Displays

Shelf

Translated into daily execution

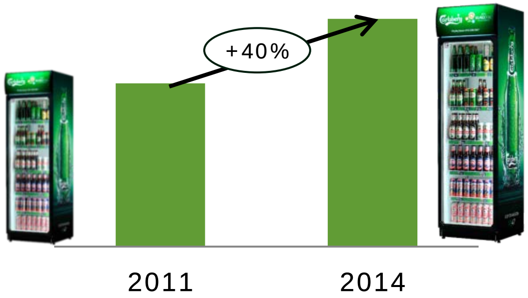
Results

# of outlets selling 12 power SKUs



Source: ACNielsen

Number of coolers in the market



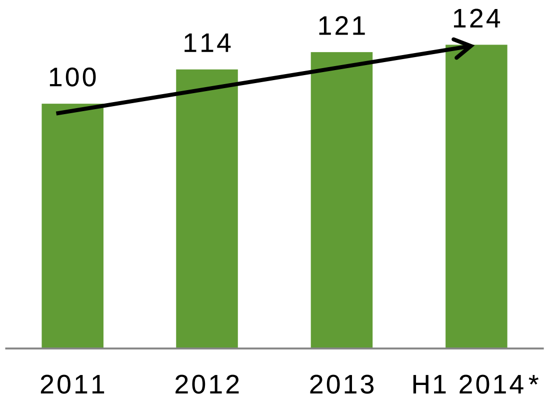
Execute in the market: Field-force efficiency

Organisational leverage 	Span of control
	Variabilisation
Productivity 	Maximisation of active selling time
	Time needed in outlets
Field-force dimensioning 	Optimal coverage
	Visit frequency

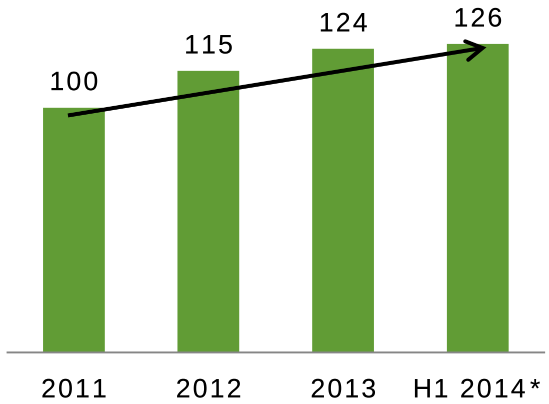
Strong results – volume and value

Index
2011 = 100

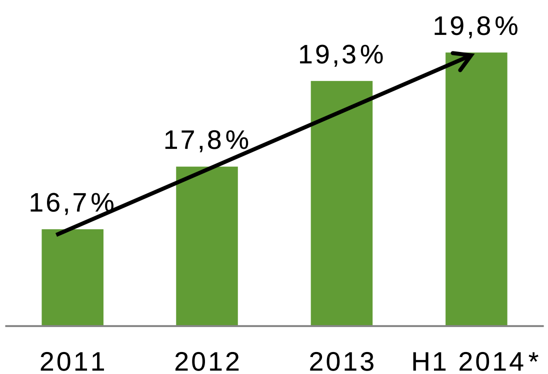
Volume



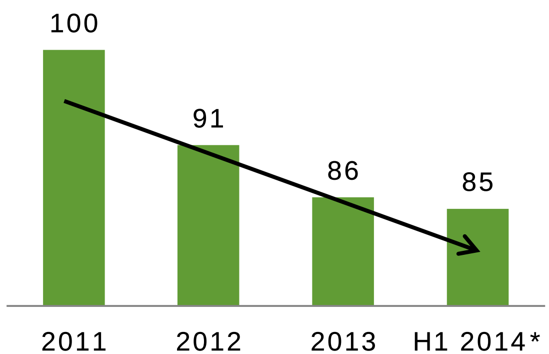
Net revenue



Value market share**



Sales expenses / net revenue



* Rolling twelve months
** ACNielsen

Our drivers of continous growth

- Win with the winners
- Sales operating model
- Field force efficiency

... and we do it ASAP

As Simple As Possible

Q&A

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.