

SAIL  **22**



Carlsberg
Group

**THE JOURNEY
BEGINS**

SAIL'22 - NOT A REVOLUTION BUT AN EVOLUTION

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**



Successful

Professional

Attractive

SAIL'22 – WE REMAIN IN BEER

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**



**SENSORY AND
INDULGENCE**



**SMART AND
CONNECTED**



URBANISATION

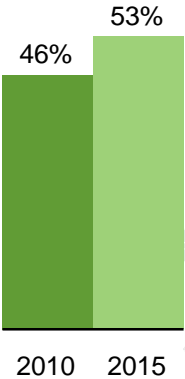


**HEALTH AND
WELLNESS**

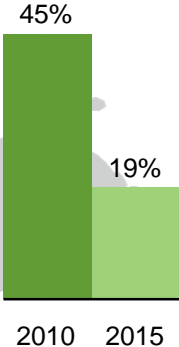
SAIL'22 – WE CONTINUE TO OPERATE IN OUR THREE REGIONS

Operating profit split per region

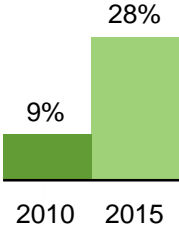
Western Europe



Eastern Europe



Asia



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

PROFESSIONAL
Excel with our customers in insights, management and service

ATTRACTIVE
Delivering value for our shareholders, employees and society

KPI
Market share
Gross profit after logistics %
Operating profit

KPI
Customer satisfaction scores

KPI
Operating profit
ROIC
Free cash flow



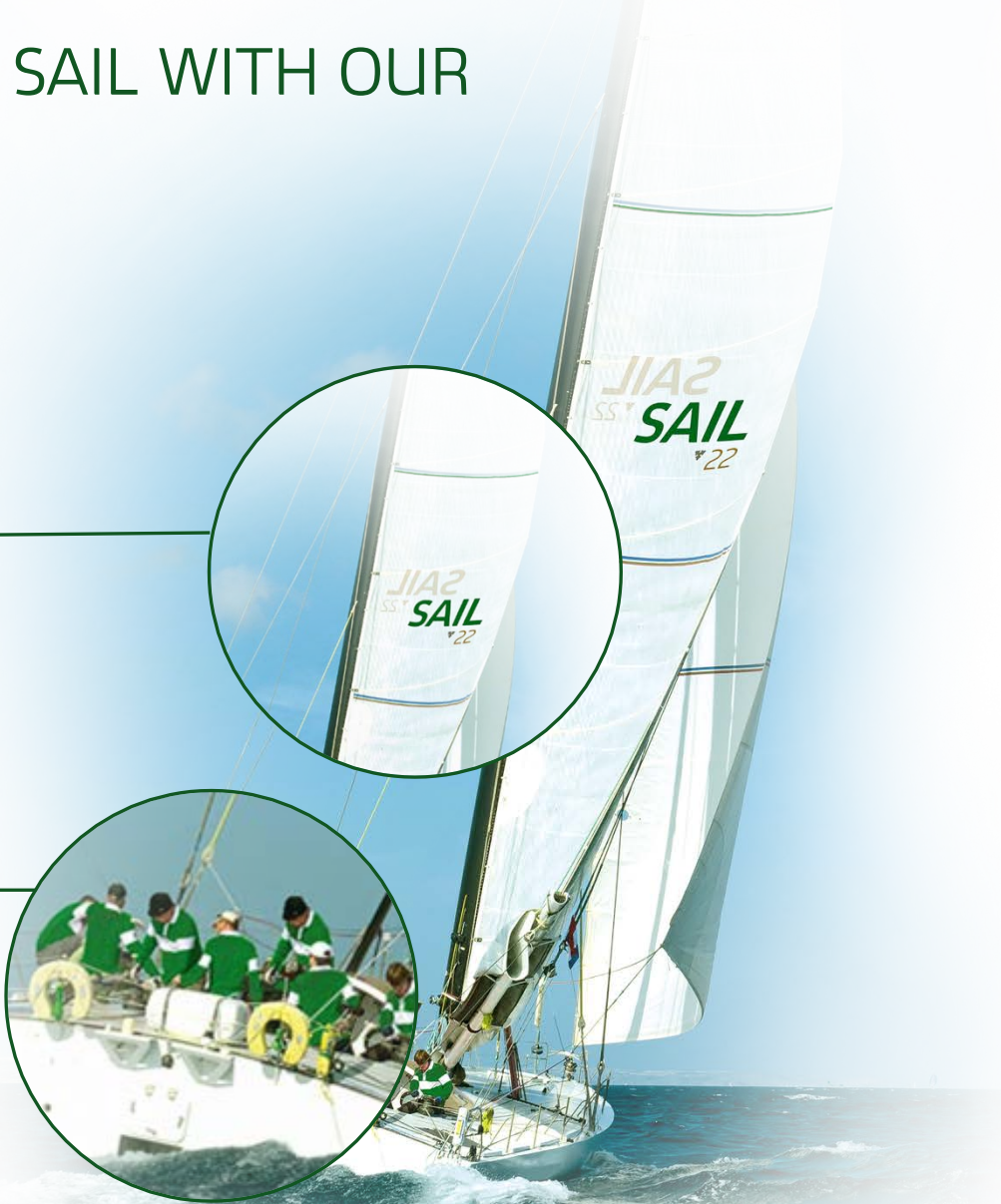
SAIL'22 - SETTING SAIL WITH OUR FOUR PRIORITIES

STRENGTHEN
CORE

POSITION FOR
GROWTH

CREATE A
WINNING CULTURE

DELIVER VALUE FOR
SHAREHOLDERS



SAIL'22 - CLEAR PRIORITIES TO DELIVER SHAREHOLDER VALUE

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

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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

SAIL'22: STRENGTHEN CORE - Leverage our strongholds

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**

EXCEL IN EXECUTION

“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**

FUNDING THE JOURNEY

“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



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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

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.

Asia accounts for **28% of Group profits** but only 8% of operating profit generated in **China, India** and **Vietnam**, partly due to subscale positions

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**

SAIL'22 - CLEAR PRIORITIES TO DELIVER SHAREHOLDER VALUE

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Leverage our strongholds



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Organic growth in operating profit



ROIC improvement



Optimal capital allocation

CREATE A WINNING CULTURE

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“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

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ROIC improvement

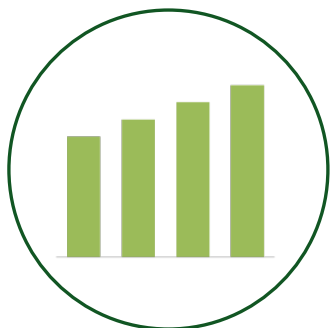


Optimal capital allocation

CREATE A WINNING CULTURE

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”



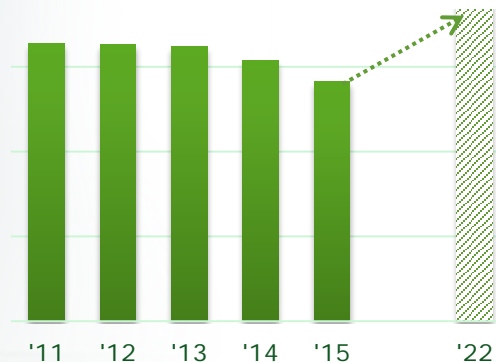
WHY

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

Operating profit



Note: Graph for illustrative purpose only

IMPROVEMENT IN RETURN ON INVESTED CAPITAL

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



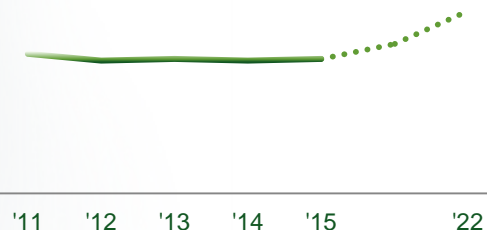
WHY

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

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

SAIL'22 - CLEAR PRIORITIES TO DELIVER SHAREHOLDER VALUE

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Organic growth in operating profit



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CREATE A WINNING CULTURE

SAIL'22 – THE BUILDING BLOCKS OF OUR STRATEGY

The WHAT

Successful

Professional

Attractive

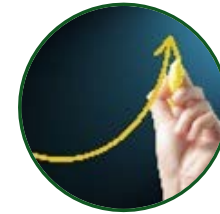
OUR AMBITION

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

SAIL²²

Q&A



SAIL²²

APPENDIX

Supporting examples



SAIL'22: REVITALIZE CORE BEER

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

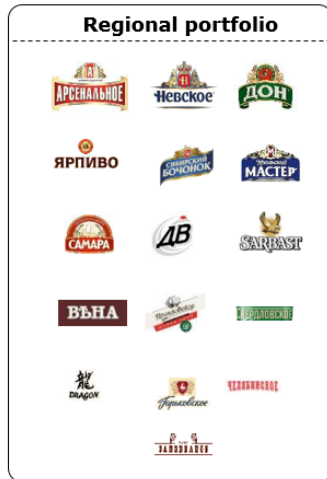


Kasztelan Poland

- 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



SAIL'22: TRANSFORM OUR BUSINESS IN RUSSIA



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



SAIL'22: EXCEL IN EXECUTION – POINT OF PURCHASE

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



SAIL'22: FUNDING THE JOURNEY

Funding the Journey achievements – performance in 2015 vs 2014 baseline

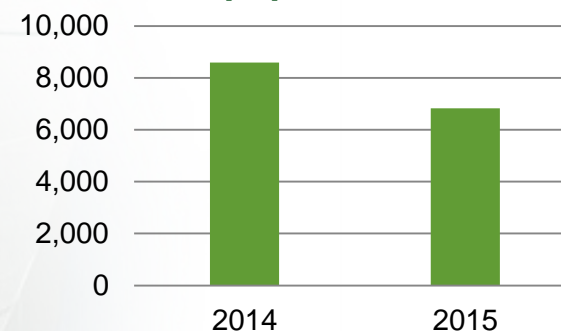
RENEW – White collar headcount reduction

- 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

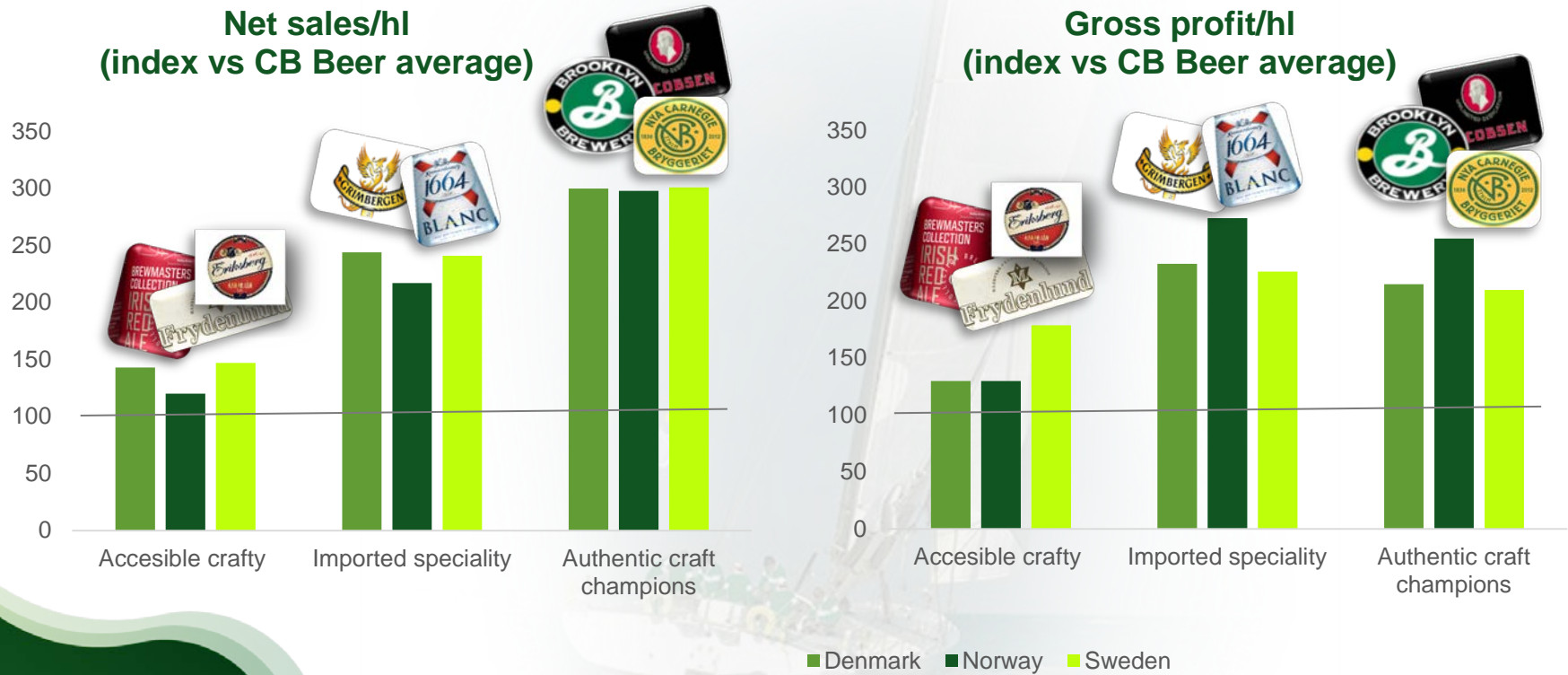
Total white collar population



SAIL'22: BUILD CRAFT AND SPECIALITY

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



SAIL'22: BUILD CRAFT AND SPECIALITY



5 year volume CAGR

Norway

Denmark

Sweden

Accessible Crafty

+13%

+27%*

+21%

Imported Speciality

+113%*

+30%

+74%*

Authentic Craft Champions

+126%

+13%

+51%

* 2 to 3 year CAGR due to more recent launches.

SAIL'22: ACTIVELY SHAPE NON-ALCOHOLIC BEER

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



SAIL'22: TARGET BIG CITIES

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

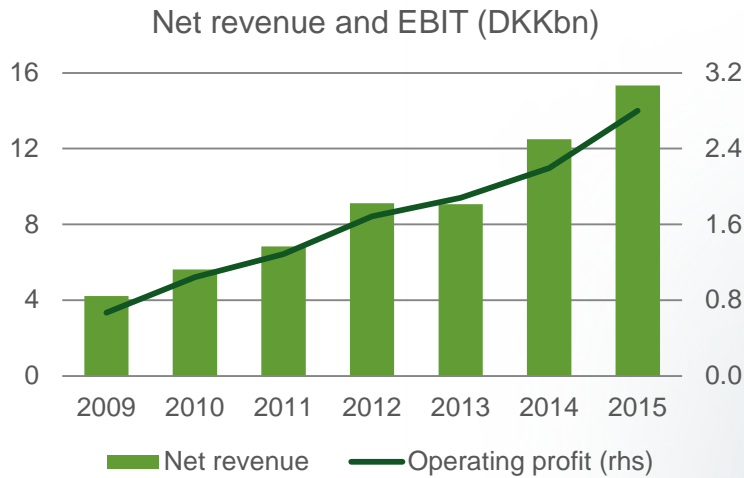


Toronto Case Study

- 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

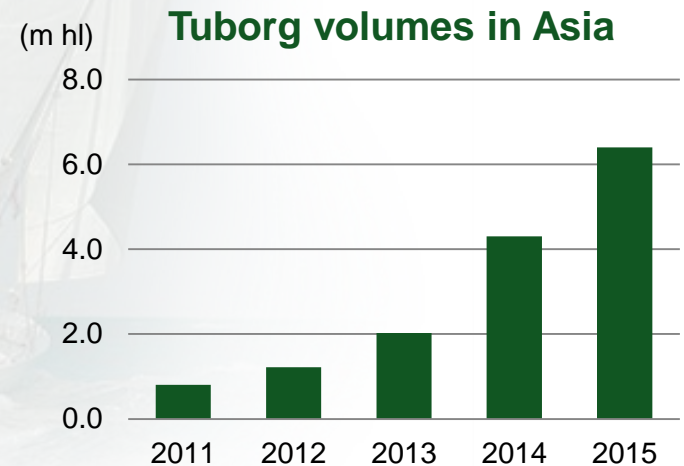
SAIL'22: GROW IN ASIA

Asia operating profit has increased 22% (CAGR) from 2010 to 2015

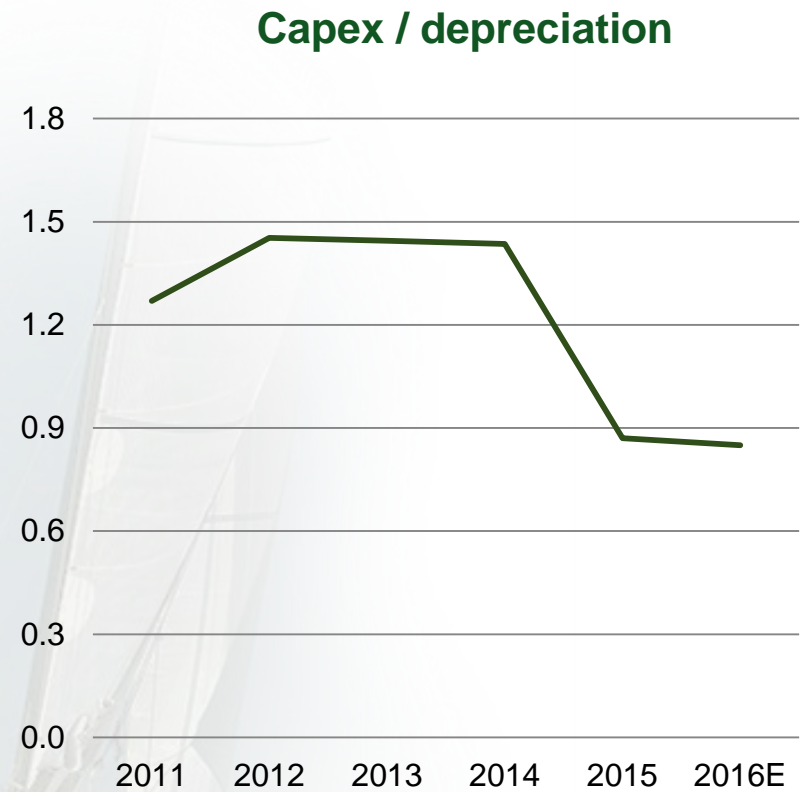
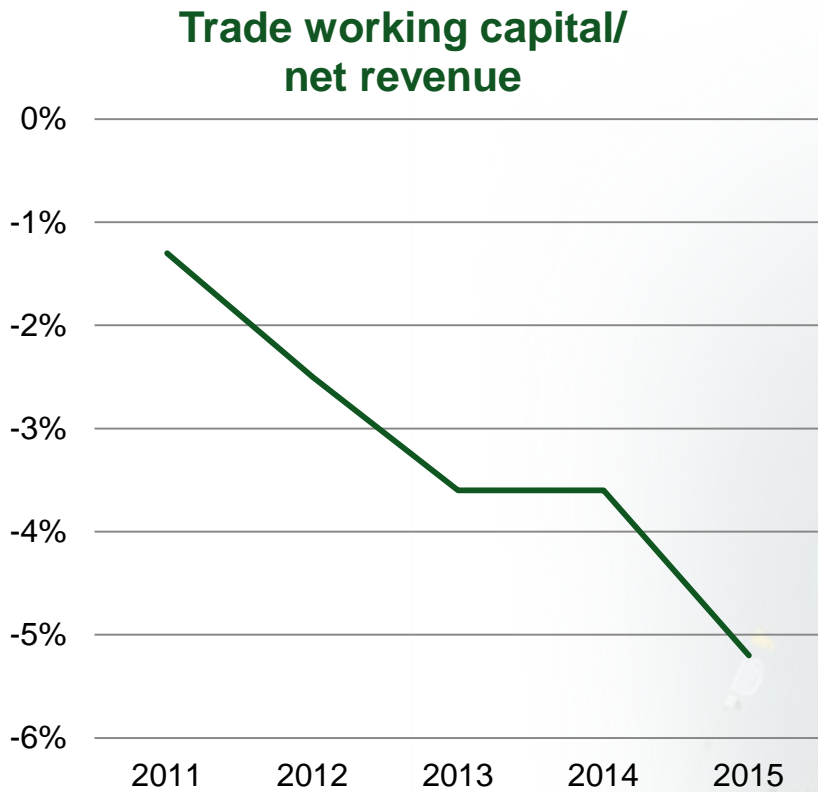


Growth of Tuborg in Asia has been almost 70% (CAGR) from 2010 to 2015

- By end 2015, Tuborg is the clear #2 international beer brand in China and 2nd largest beer brand in India

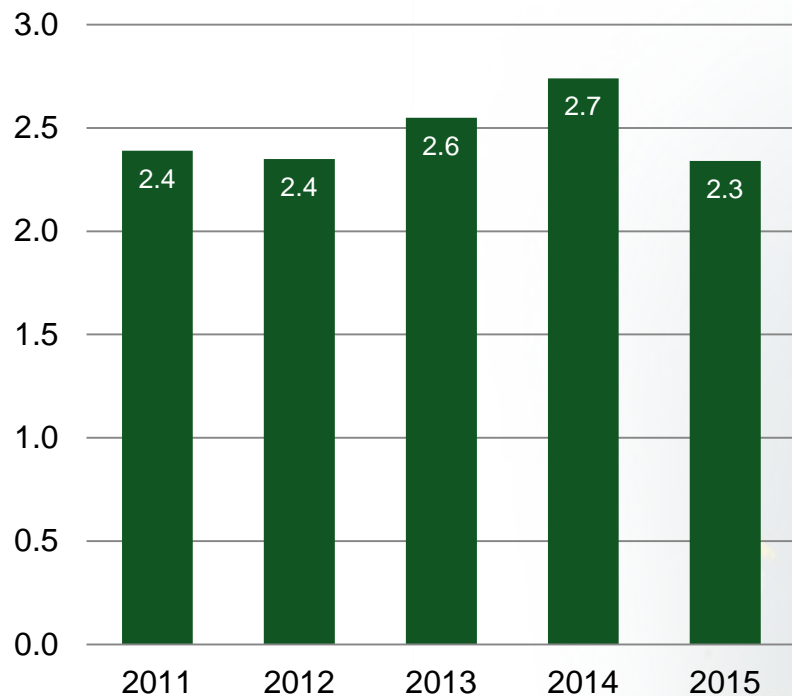


SAIL'22: IMPROVEMENT IN RETURN ON INVESTED CAPITAL

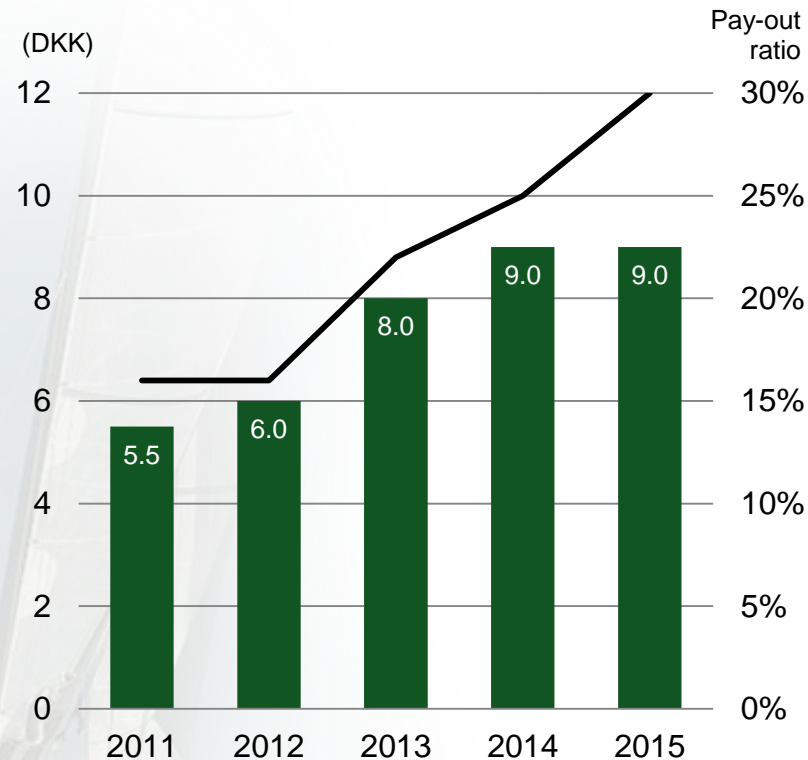


SAIL'22: OPTIMISING CAPITAL ALLOCATION

NIBD/EBITDA



Dividend and pay-out



DISCLAIMER

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.

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