



Craft, speciality & NAB

Nya Carnegiebryggeriet,
Stockholm, Sweden
24 October 2016

Agenda – Craft, speciality & non-alcoholic beer

Presenter	Topic
Joakim Losin	New Carnegie Brewery – the story of the successful cooperation between Brooklyn Brewery and Carlsberg
Heine Dalsgaard	First impressions
Jessica Spence	Setting the scene – Craft, speciality & NAB in Carlsberg Non-alcoholic beer – Developing a category, leveraging know-how
Paul Davies	<i>Lunch</i> Winning in craft and speciality – How?
	Beer tasting



Heine Dalsgaard

Group CFO

First impressions

SAIL'22 strategy – Setting the right direction for Carlsberg

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

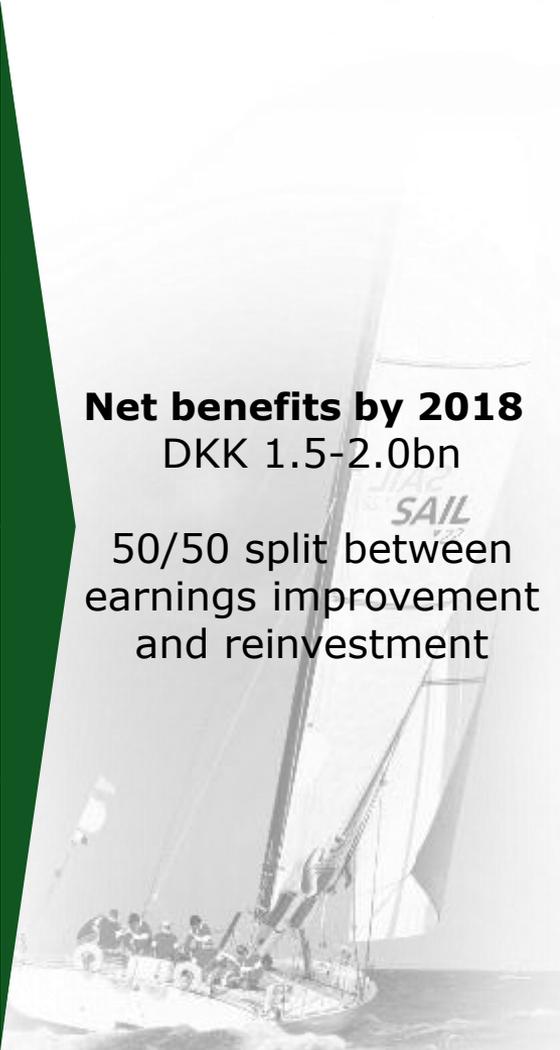
CREATE A WINNING CULTURE

SAIL'22 strategy – Funding the Journey



Funding the Journey – Making it happen

<p>Value Management</p>	<ul style="list-style-type: none"> • Optimise balance between market share and profits by improving the mix of brands, channels and promotional activities • Embedding the right sales and pricing tools across markets
<p>Supply chain efficiency</p>	<ul style="list-style-type: none"> • Efficiency improvements within procurement, production, warehousing and logistics • BSP1 an important tool to realise efficiencies • Complexity reduction
<p>Operating expense efficiency</p>	<ul style="list-style-type: none"> • Simplification of processes and functions • Operating cost management • Outsourcing of shared services • Redundancies
<p>Right-sizing of businesses</p>	<ul style="list-style-type: none"> • Russia: Production restructuring and brand impairment • China: Impairment of Eastern Assets and local brands in addition to further network restructuring • UK: Business restructuring • Various other initiatives



Net benefits by 2018
 DKK 1.5-2.0bn
 50/50 split between earnings improvement and reinvestment

Funding the Journey – change management and process improvement

Supply chain efficiency

- **BSP1** – an enabler for supply chain efficiencies
 - Transformation of the Western European business model
 - Implementation has taken too long
 - Change management needed to fully leverage system
 - Rigorous follow-up on process improvements
- **SKU rationalisation**
 - Removal of tail SKUs progressing well
 - Pain tool developed and being rolled-out

Operating expense efficiency

- **Outsourcing of shared services**
 - +300 FTEs outsourced
- **Operating cost management (OCM)**
 - A continuous process
 - Requirements for success:
 1. Data quality
 2. Data availability
 3. Embedding in management processes and work culture
- **Further focus on indirect spend**



Funding the Journey – Right-sizing to drive focus and de-leverage

Right-sizing of businesses

- **Disposal of non-core businesses continues**
- **Major transactions during last 18 months**
 - The remaining land at the Tuborg site
 - The Leeds brewery
 - Danish Malting Group
 - Vung Tau brewery in southern Vietnam
 - Carlsberg Malawi

Funding the Journey
the well that never runs dry but needs to be pumped

SAIL'22 strategy – winning culture



Winning culture – the Triple-As

- Fostering team-based performance

1. Alignment

- Proactive alignment with an emphasis on *one* team with *one* aspiration

2. Accountability

- Accountability by individual and team for the actions we choose to pursue

3. Action

- Implementing decisions with speed and rigor



Winning culture – a performance-based incentive structure

- Current **long-term incentive scheme** (LTI) for Top-60
 - Achievement of Funding the Journey benefits
 - 50% of salary if DKK 1.5-<2.0bn
 - 100% of salary only if DKK 2.0-<2.3bn
 - 120% of salary if DKK >2.3bn
- **Short-term incentive scheme**
 - Linked to top- and bottom-line growth and returns
 - 50% local targets (golden triangle)
 - 30% regional targets (EBIT, GPaL, TWC)
 - 20% Group targets (EBIT & ROIC)



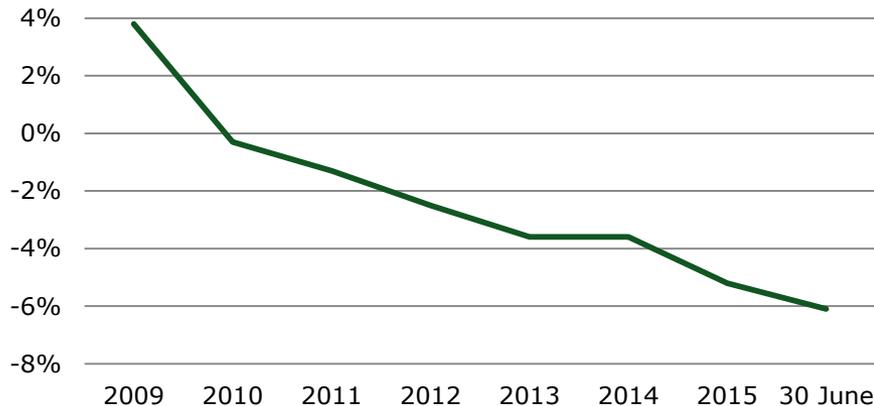
SAIL'22 strategy – deliver value for shareholders



Deliver value for shareholders - Improving earnings and returns

- Delivering organic growth in **operating profit** by
 - Driving **top-line** growth through premiumisation and volume
 - Applying the **golden triangle**
 - Continuously focusing on **efficiencies** and costs
- Consistent improvement of **ROIC**
 - Operating profit improvement
 - Strict financial discipline

Av. trade working capital/net revenue



* June 2016 adjusted for a reclassification of other payables in Asia '16*



Deliver value for shareholders - Optimising capital allocation

- **Priorities**

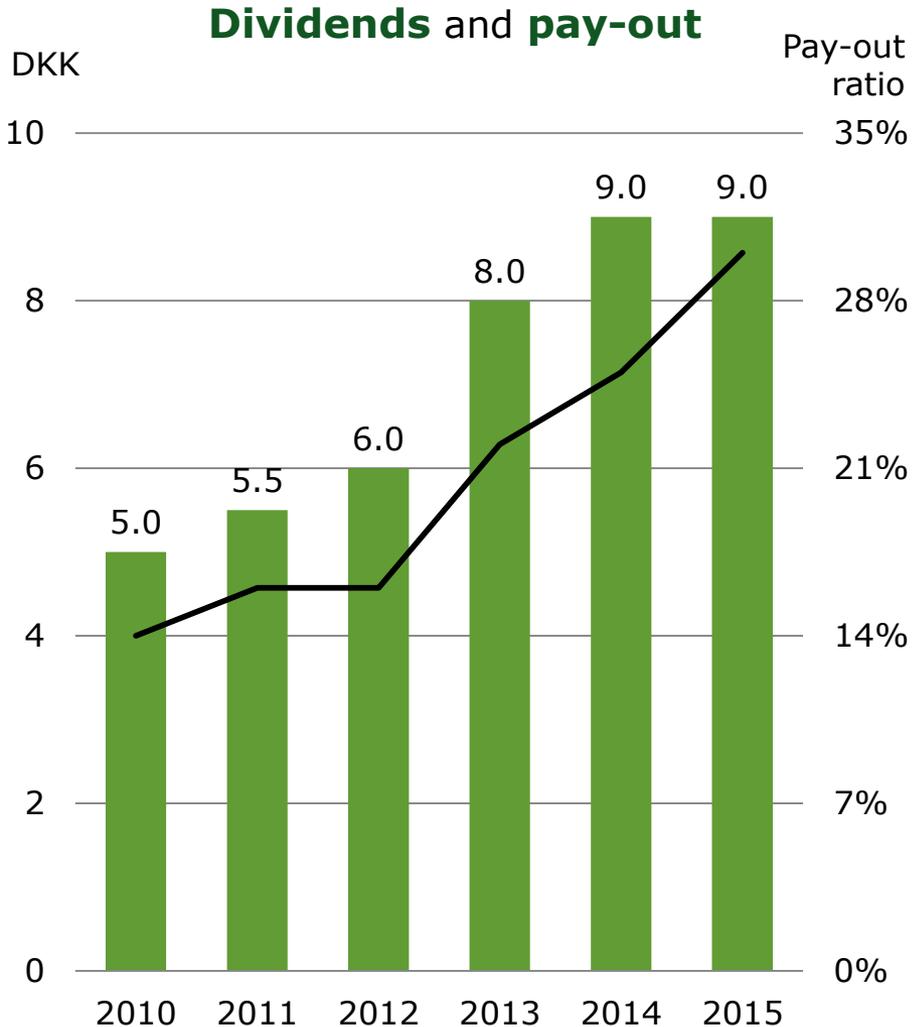
1. Investing in profitable **growth**
2. Reduce **leverage**
3. Return more cash to **shareholders**

- **Capital allocation targets**

1. NIBD/EBITDA < 2.0x
2. Dividend pay-out ratio of 50%

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

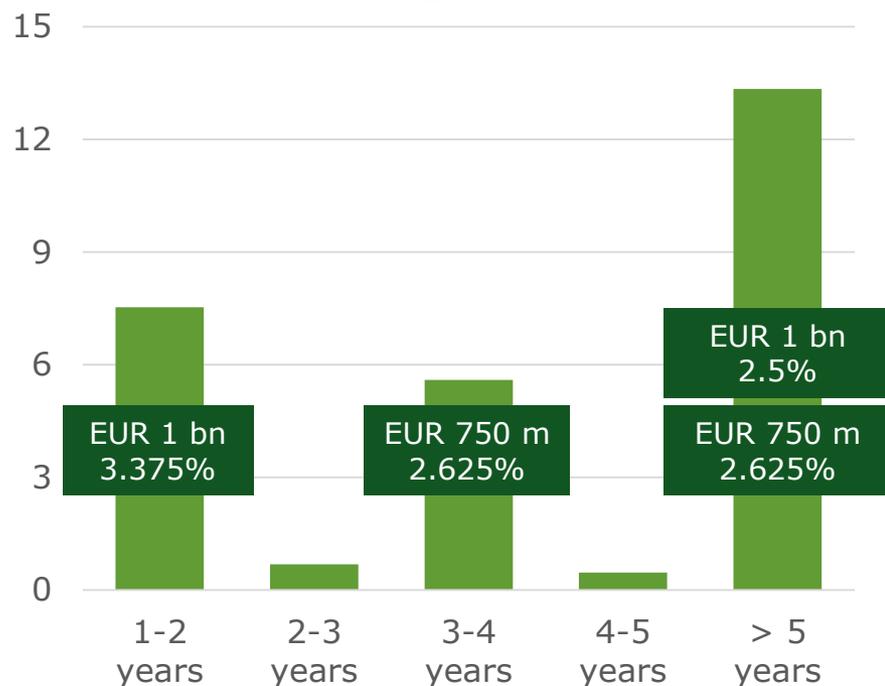
- Deviating from the above only if value-enhancing acquisition opportunities arise



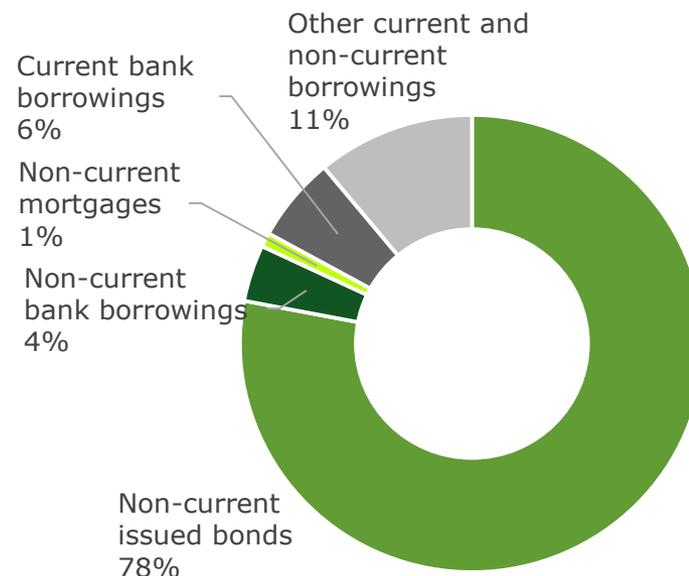
Debt structure

- As at 30th June: NIBD DKK 28.3bn; NIBD/EBITDA 2.16x
 - 83% of gross financial debt is long term
 - 87% of net financial debt at fixed rates
- Changing debt structure towards being more efficient and flexible

Time to maturity non-current borrowings (DKKbn)



Committed non-current credit facilities and net financial debt





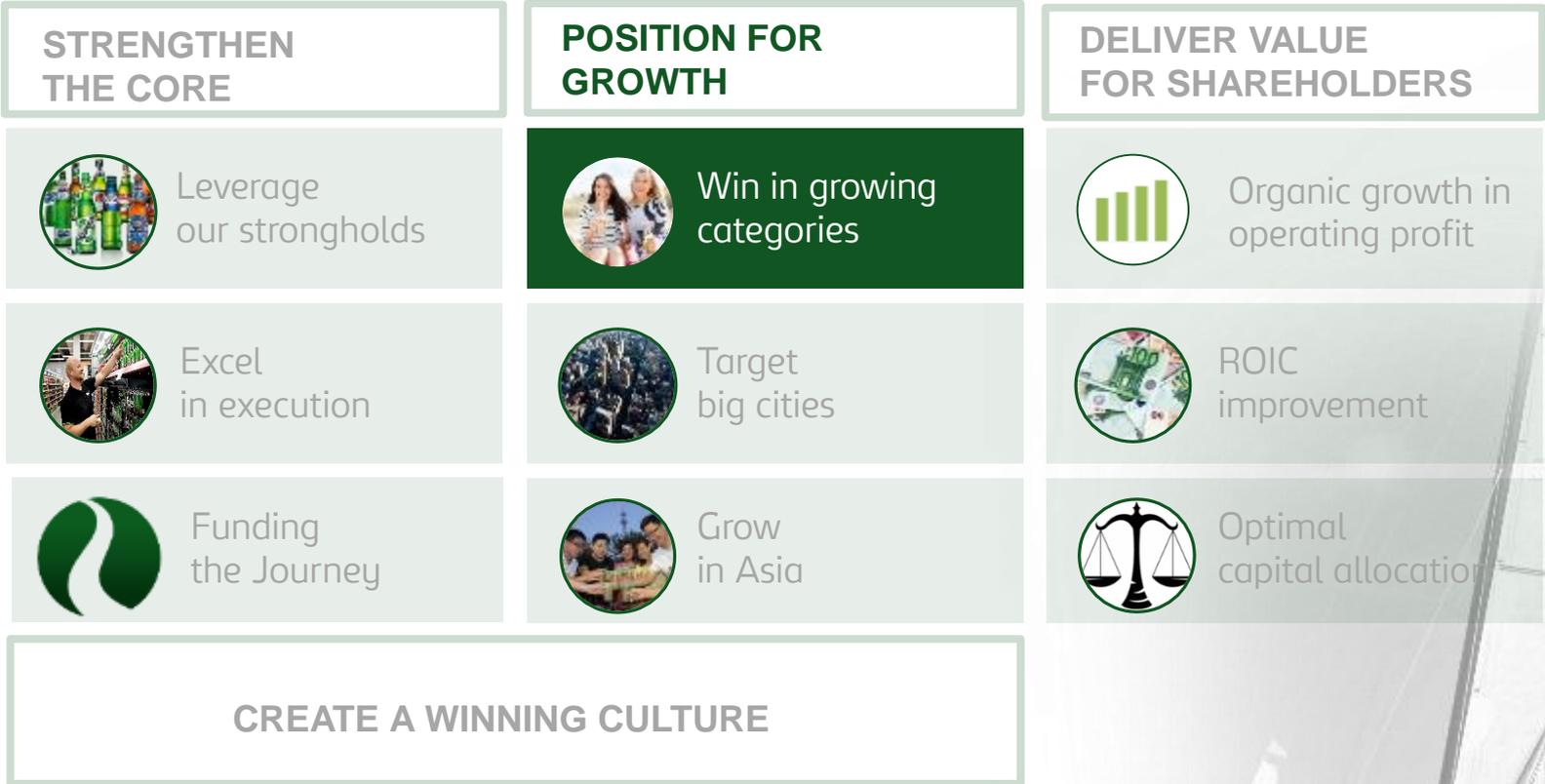
Q&A

Jessica Spence

SVP Group Commercial

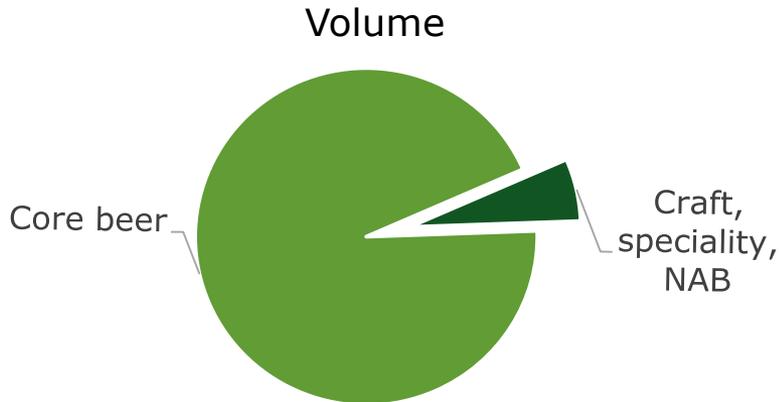
Setting the scene

SAIL'22 strategy



Win in growing categories

- Actively shape **non-alcoholic beer**
 - We will leverage growing health and wellness trends and our R&D capabilities to drive growth in non-alcohol beer category
- Build **craft** and **speciality**
 - We will actively shape the craft and speciality category, offering portfolios that win with consumers and customers



Jessica Spence

SVP Group Commercial

Non-alcoholic beer

Trends in favour of NAB

- Changes in consumer preference and regulation creating exciting **growth opportunities**
 - Consumers are looking for **healthier** alternatives
 - Alcohol **moderation**
 - Increased category **regulation**
- NAB is an **incremental** business **opportunity**



Consumers looking for healthier alternatives

- Consumers aged 24-45:
 - **68%** make conscious attempts to consume healthily
 - **49%** believe they are overweight
 - **50%** are trying to loose weight
- **Millennials** and **Gen Z**
 - Seeking healthier options to meet their clean label approach to consumption



Alcohol moderation driving opportunities

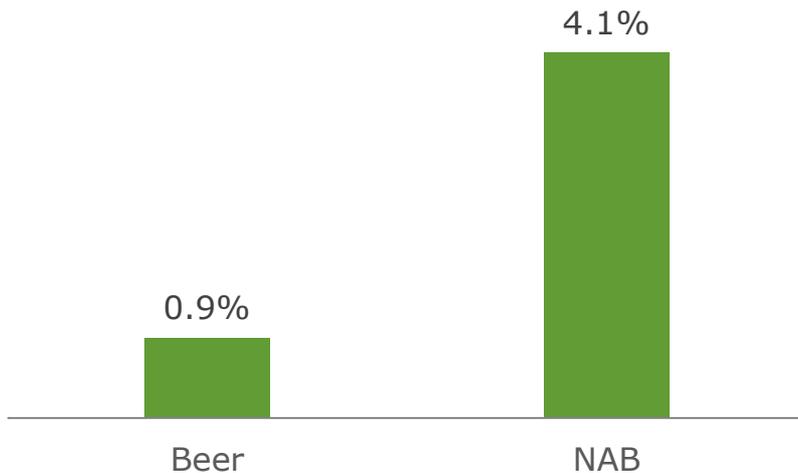
- **Alcohol moderation** is creating an exciting and emerging **generational opportunity**
 - Almost **50%** of UK drinkers are moderating their alcohol consumption
 - **1 in 4 people** (aged 16-30) say they do not drink alcohol ...
 - ... compared with just **1 in 7 older people** (aged 60+)
- The **regulatory** environment influencing consumer **preference** toward **NAB**



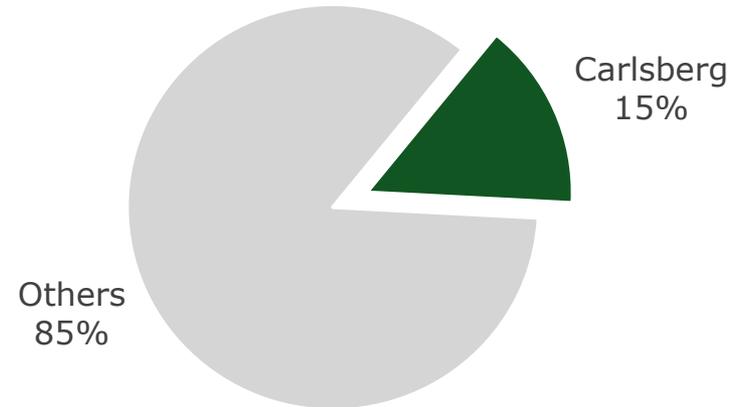
Non-alcoholic beer market growth

- **4x** greater vs. avg. beer market
- Carlsberg Group **share** of global NAB market: **15%**¹
- Growing **NAB taking share**
 - Primarily from **adjacent** non-alcoholic beverages
 - **Less** from core beer
 - In France, 73% of our NAB volume incremental to beer

Volume growth
(CAGR 2012-2015)

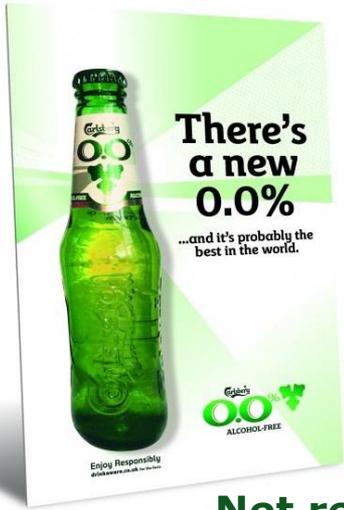


Share of global NAB market



¹ Source: Canadean & Carlsberg data

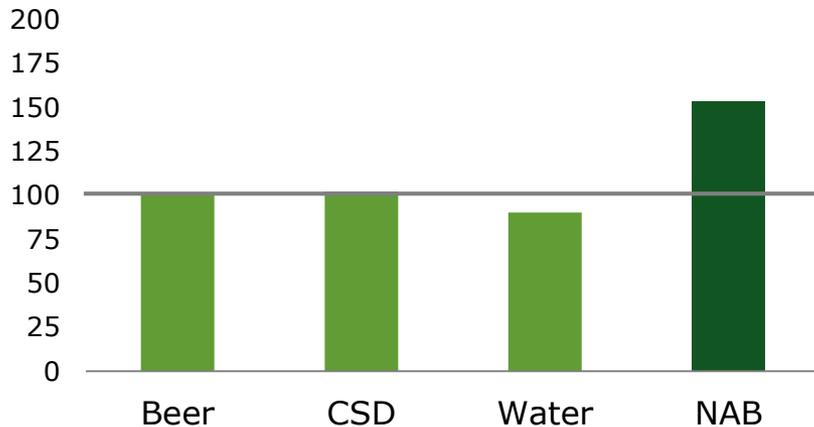
A pivot towards NAB will create incremental growth opportunities



- Growing **NAB** delivering superior **top-line** and **profitability**
 - **Outperforming** beer and adjacent categories

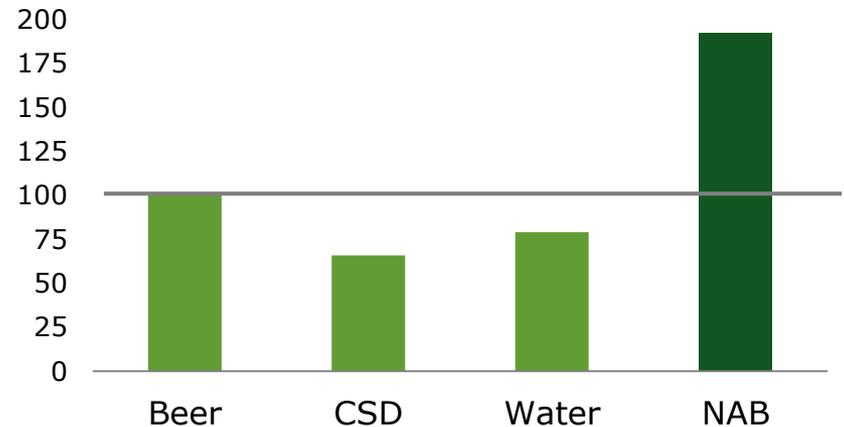
Net revenue/hl

Beer: index 100
Average Western Europe



GPaL/hl

Beer: index 100
Average Western Europe



How we will win in NAB

- Leveraging our **technological leadership** to deliver great tasting NAB
 - Expertise in novel fermentation
 - Leverage liquid mapping when creating new liquids

- Developing NAB as a **category**
 - Creating active choices
 - Building positive consumer perception
 - Positioning NAB as a positive consumption choice

- Group-wide **focus** behind NAB
 - Dedicated NAB team
 - Aligned system focus against NAB opportunities



Leveraging our technological leadership to deliver great tasting NAB



Expertise in novel fermentation & new technology

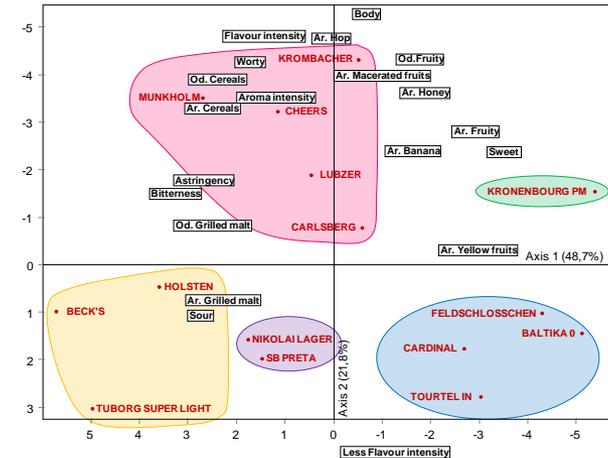
- Fermentation using new yeasts and bacteria to remove alcohol
- New technology for cereal- and fruit-based non-alcoholic



- Natural sugars and acids are efficiently removed, resulting in great tasting beverages

Constant improvements in base NAB development

- Falling film evaporation infused with hops and malt
- Stop fermentation
- Membrane based



- Deliver consumer preference through superior taste recipe by linking consumer and expert panel insights

Reframing the consumer choice and relevance in occasions...

From a **Passive Choice** ...

... to an **Active Choice**

From DEFAULT options



Working or driving

To Enjoyable options!

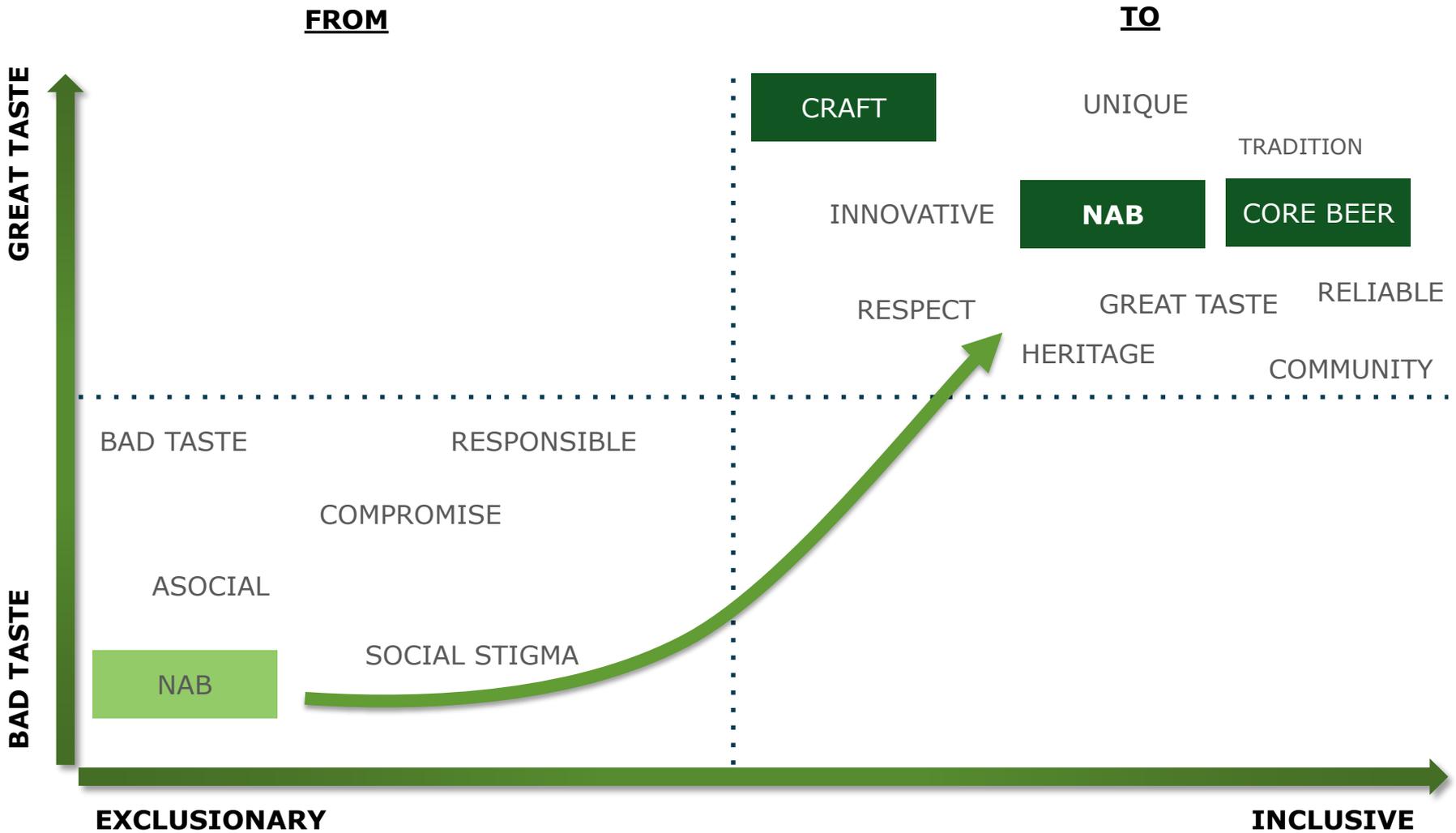


Great taste, meal accompaniment & refreshment



Health & Wellness: Increased drive to take care of body & mind

... to drive a shift in the category perception



Superior taste – widely recognised and awarded

13 | POLITIKEN | LÖRDAGSBLIV | Lördag 16. januar 2016

TEST AF ALKOHOLFRI ØL

ALKOHOL LØFTER SMAGEN I ALKOHOLFRI ØL

TEST VINDER

CARLSBERG NORDIC BLEND
Alkohol: 0,5 pct.
Pris: 10,00 kr. (inkl. moms) per liter
Literpris: 20,00 kr.

ESBIBEE ALKOHOLFRI
Alkohol: 0,4 pct.
Pris: 10,00 kr. (inkl. moms) per liter
Literpris: 20,00 kr.

BREWDOG HARRY STATE
Alkohol: 0,5 pct.
Pris: 10,00 kr. (inkl. moms) per liter
Literpris: 20,00 kr.

BAVARIA PREMIUM ORIGINAL
Alkohol: 0,5 pct.
Pris: 10,00 kr. (inkl. moms) per liter
Literpris: 20,00 kr.

Denmark

LONDON 2015
THE INTERNATIONAL BEER CHALLENGE
BRONZE

This is to certify that
CARLSBERG 0.0%
has been awarded
BRONZE SPECIALITY
by the judging panel at the
International Beer Challenge 2015

Jeff Evans
Chairman of Judges

offlicencE

En Öl & WHISKY MÄSSAS Öltävling 2016
GULD
Alkoholsvag Öl, Under 3,5%

En Öl & WHISKY MÄSSAS Öltävling 2015
SILVER
Alkoholsvag Öl, under 3,5%

WORLD BEER AWARDS
FRANCE WINNER

Sweden

France

Russia

Denmark: Carlsberg Nordic



- **Carlsberg Nordic** launch in Denmark
 - **33%** category growth
- Change in consumer perception
 - **Rejecters** of category reduced from **66%** to **33%**
- Carlsberg Nordic **market leader**
 - **43%** volume share
 - **45%** value share





UNBOTTLED BY
BOTTLED BY
NORDIC
GYLDEN BRYG
BOTTLED BY
Carlsberg

Russia: Baltika 0



- **Baltika 0** – a success in Russia and in Carlsberg
 - **Biggest NAB** brand in the Carlsberg Group
- **Market leader** in Russian NAB segment*
 - **60%** volume share
 - **55%** value share
- Superior volume growth
 - **+19%** vs 2015



* YTD 2016



France: 1664 Sans Alcool



- Successful launch of **1664 San Alcool**
 - Volume growth **6.3x** vs 2014
- Premium performer
 - **10%** volume share
 - **17%** value share



France: Tourtel Twist



- **Tourtel Twist** launch in France
 - **Best beer innovation** for the past 10 years
- Volumes additional to beer: **73%**





LUNCH

✦ Probably the biggest lapsed occasion
in the (beer) world





Paul Davies

VP, Craft & speciality beer

Craft & speciality beer

Craft & speciality an attractive category

- Category attractiveness supported by USA insights
 - Premiumisation **index 156** vs US category average
 - **66%** of growth **incremental** to the category
 - Winning **share of throat**
 - +2% from wine (28%)
 - +4% from spirits (29%)
 - **75%** of **millennials** prefer craft



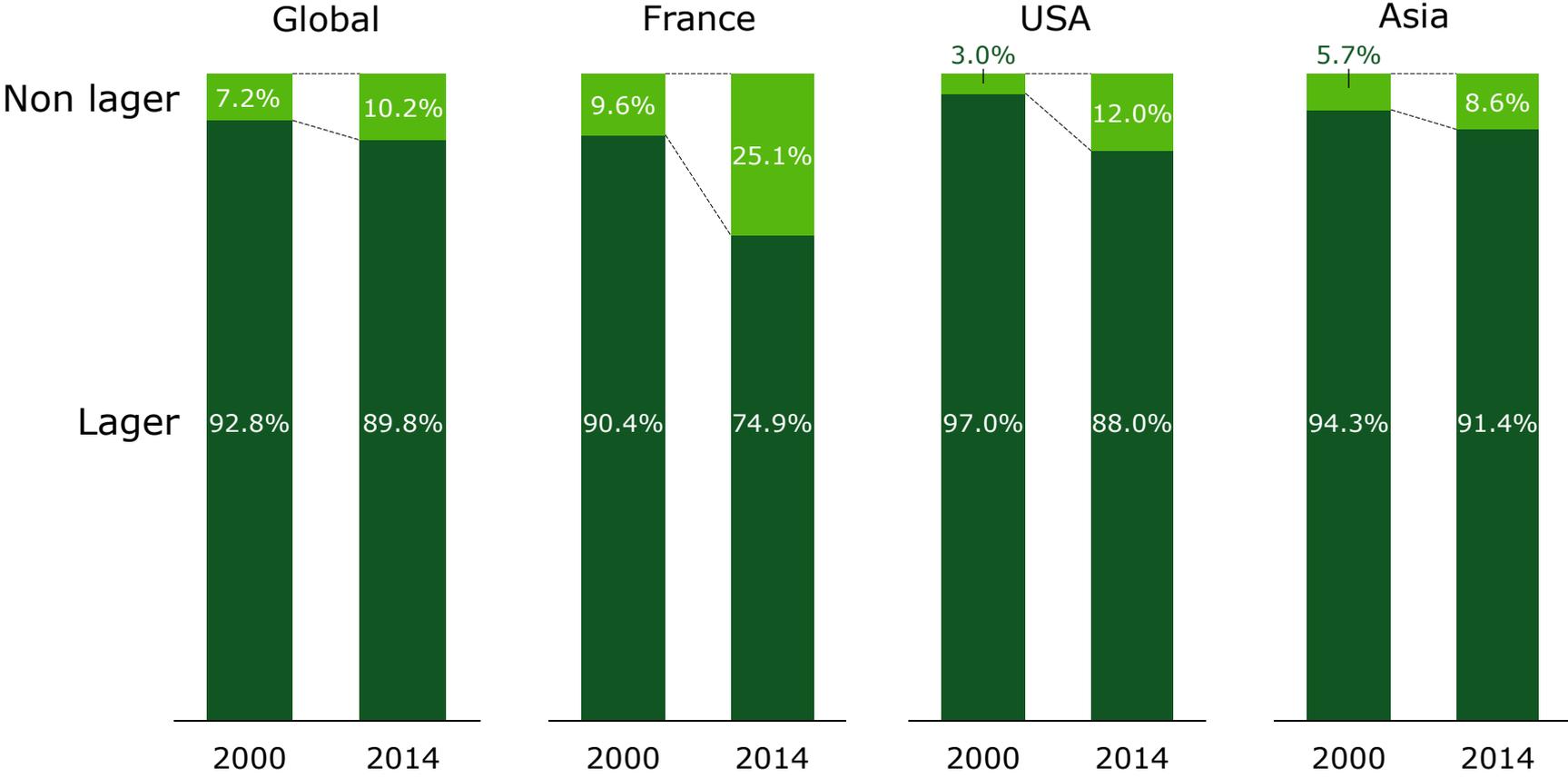
Source: USA Nielsen Scantrack; Latest 52 Wks ending 5/23/15:
CLSA Survey 1500 USA beer drinkers Q2 2015

Consumers faced with huge variety in Europe



Non lager beer styles growing share everywhere

Craft & speciality value share of beer styles

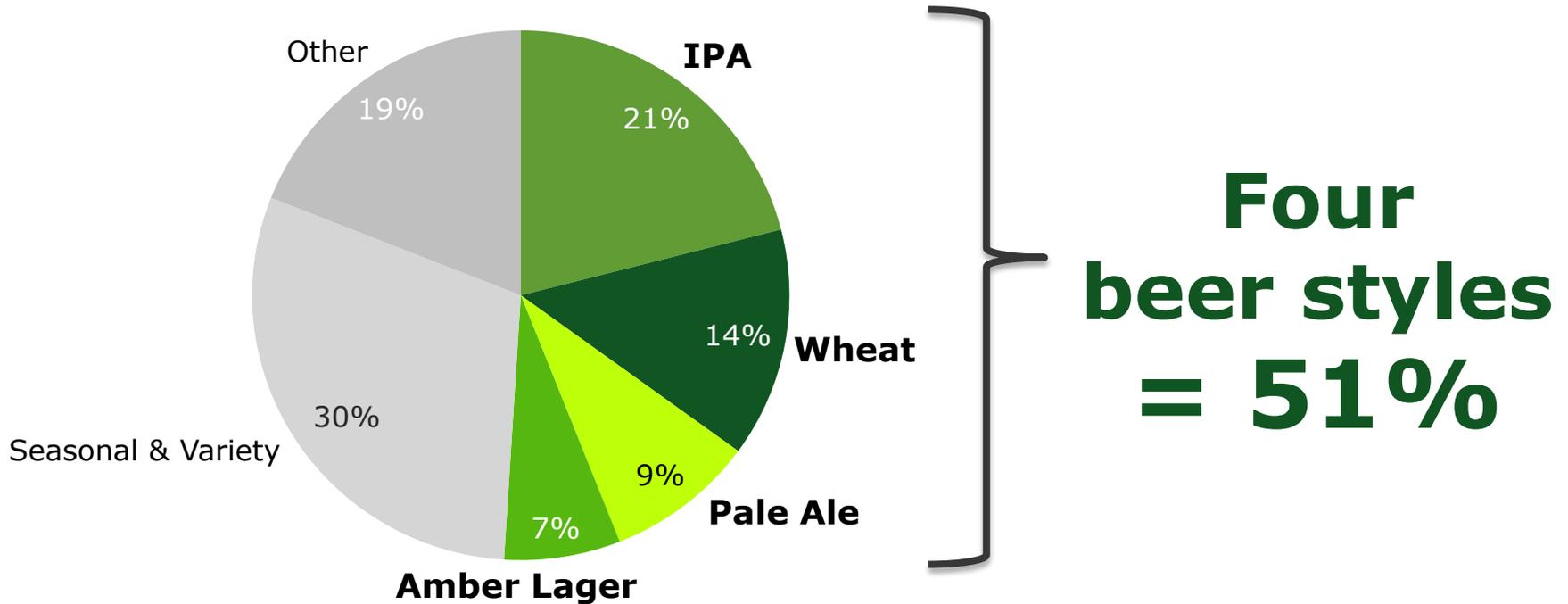


Source: Canadean 2015

Need to win across four beer styles

- Evidence from USA indicating that **scale** is achievable by winning across **four beer styles**

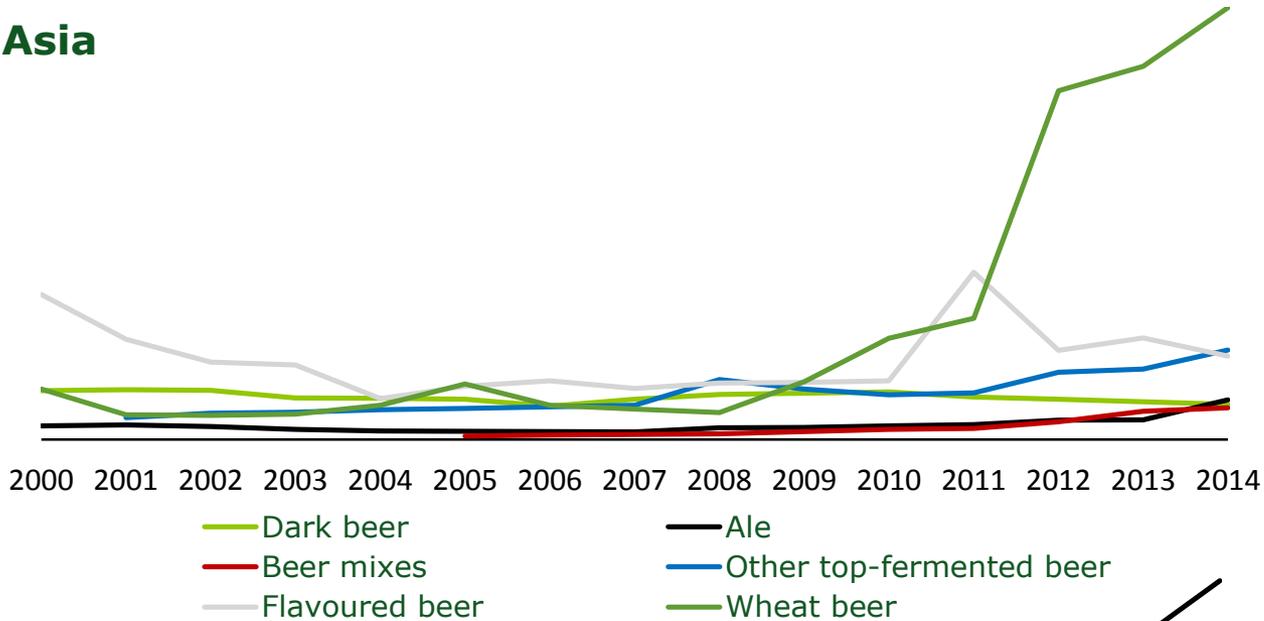
Total US Off-trade volume split by beer type



Source: Nielsen AOD Total US xAOC+Conv+Military+Liquor Plus, 52 Weeks ending 11/07/15

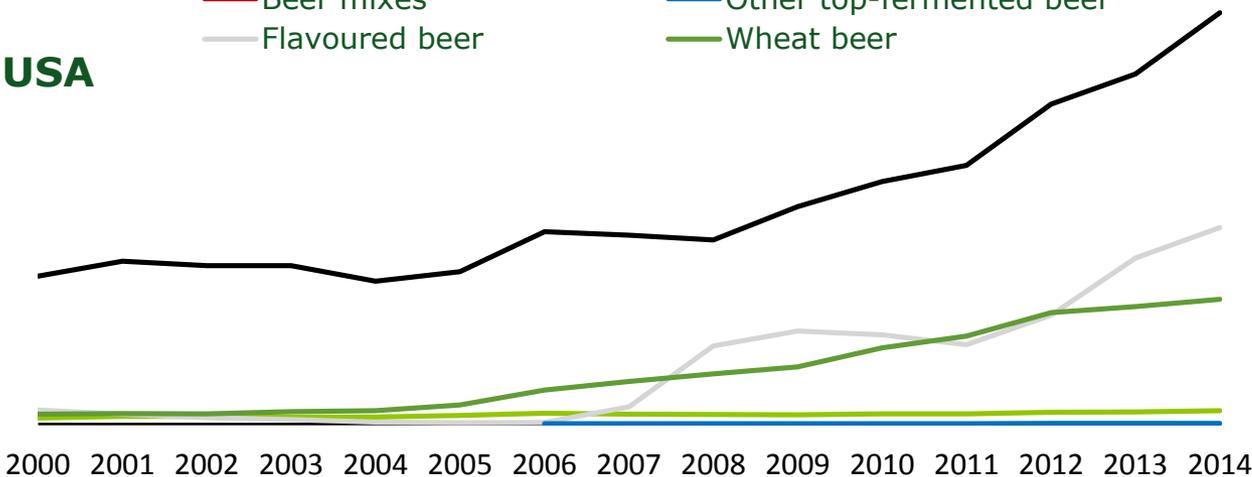
Leading styles differ per region

Asia



	Value growth (5 year CAGR)
Stout	12%
Wheat	46%
Flavored beer	1%
Ale	-9%

USA



	Value growth (5 year CAGR)
Ale	20%
Flavored beer	27%
Wheat beer	17%
Stout	-6%

Awareness of craft beer styles higher amongst younger consumers



Unaided awareness	TOTAL	18-30 years
Base: p3m beer drinkers	600	102
India Pale Ale (IPA)	24%	42%
Weiss (or Weizen)	21%	21%
Lager	19%	18%
Pilsner	17%	21%
Pale Ale	13%	13%
American Pale Ale (APA)	3%	9%
Abbey ale (Klosterøl, Trappist)	1%	1%
Surøl/ Sour Ale/ lambic	1%	1%
Witbiter (Wit, Belgium Wit)	1%	1%
Belgian Ale	0%	1%

Source: Carlsberg continuous tracking 2016

Awareness of craft beer styles higher amongst younger consumers in urban areas



Aided trial of beer styles (p3m)	TOTAL	London		
		ALL	18-24	25-34
Weighted base	1,166	157	136	219
Pale Ale	25%	37%	47%	39%
India Pale Ale	22%	16%	24%	26%
Wheat beer	9%	12%	10%	16%
Belgian Ale	9%	8%	8%	14%
Imperial Stout	6%	5%	7%	10%
Abbey beer	4%	6%	3%	6%
Double India Pale Ale	3%	2%	4%	5%
Witbier	2%	2%	2%	2%
Sour Ale	1%	3%	2%	4%

Source: Carlsberg continuous tracking 2016

Beer repertoires increase once consumers enter the category

Aided trial of beer styles	Total	Among trialists of:		
		Pilsner	Wheat	IPA
Base		443	136	135
India Pale Ale	22%	26%	48%	100%
Belgian Ale	3%	4%	11%	11%
Imperial Stout	5%	6%	13%	19%
Pale Ale	19%	23%	45%	56%
American Pale Ale	7%	8%	18%	23%
Weiss	23%	27%	100%	48%
Double India Pale Ale	3%	4%	10%	13%
Abbey ale	4%	5%	14%	13%
Witbier	5%	5%	16%	16%
Sour Ale	4%	5%	13%	14%
Pilsner	74%	100%	88%	86%
Lager	28%	33%	55%	58%

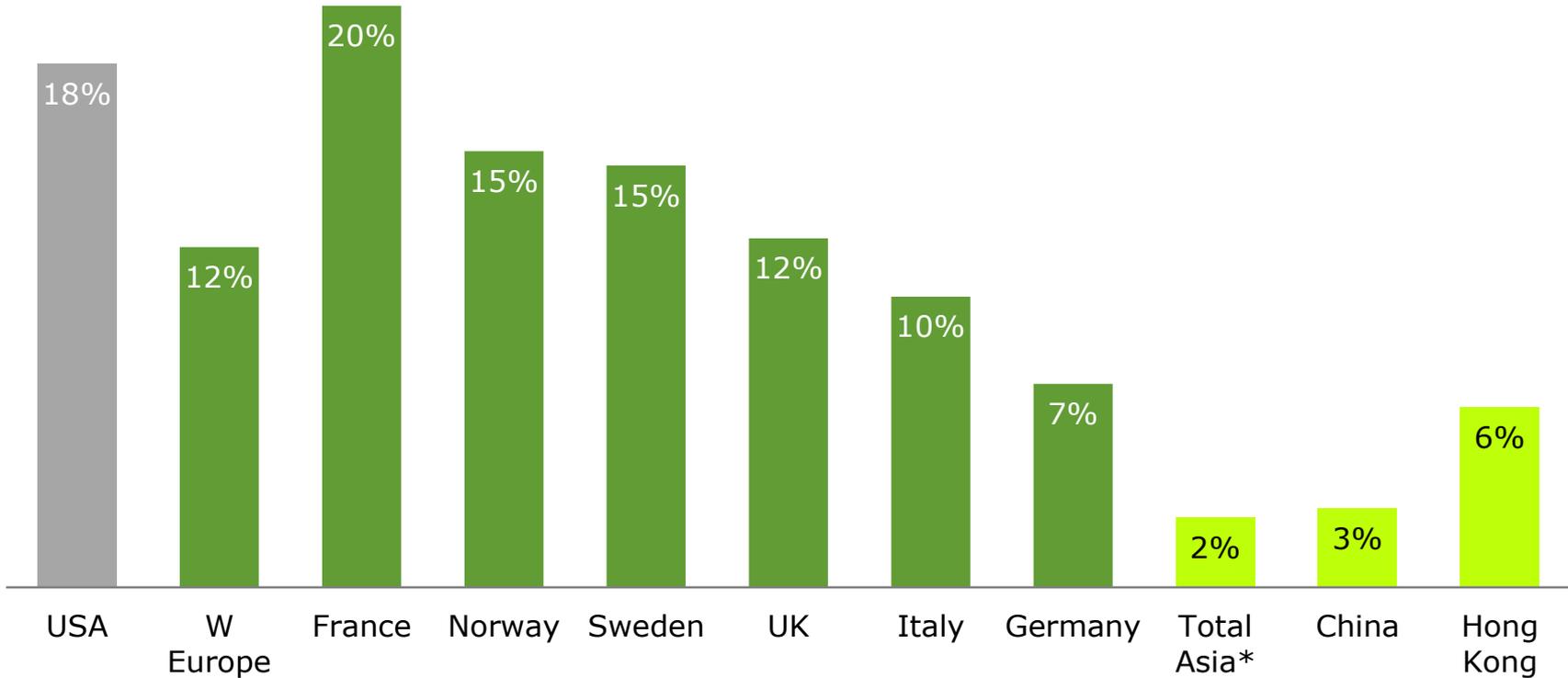


Source: Carlsberg continuous tracking 2016

Craft & speciality forecasted growth

- Craft & speciality market forecast to reach **12% in Europe** and **2% in Asia** by 2022

Forecasted craft & speciality beer volume share of total beer market by 2022

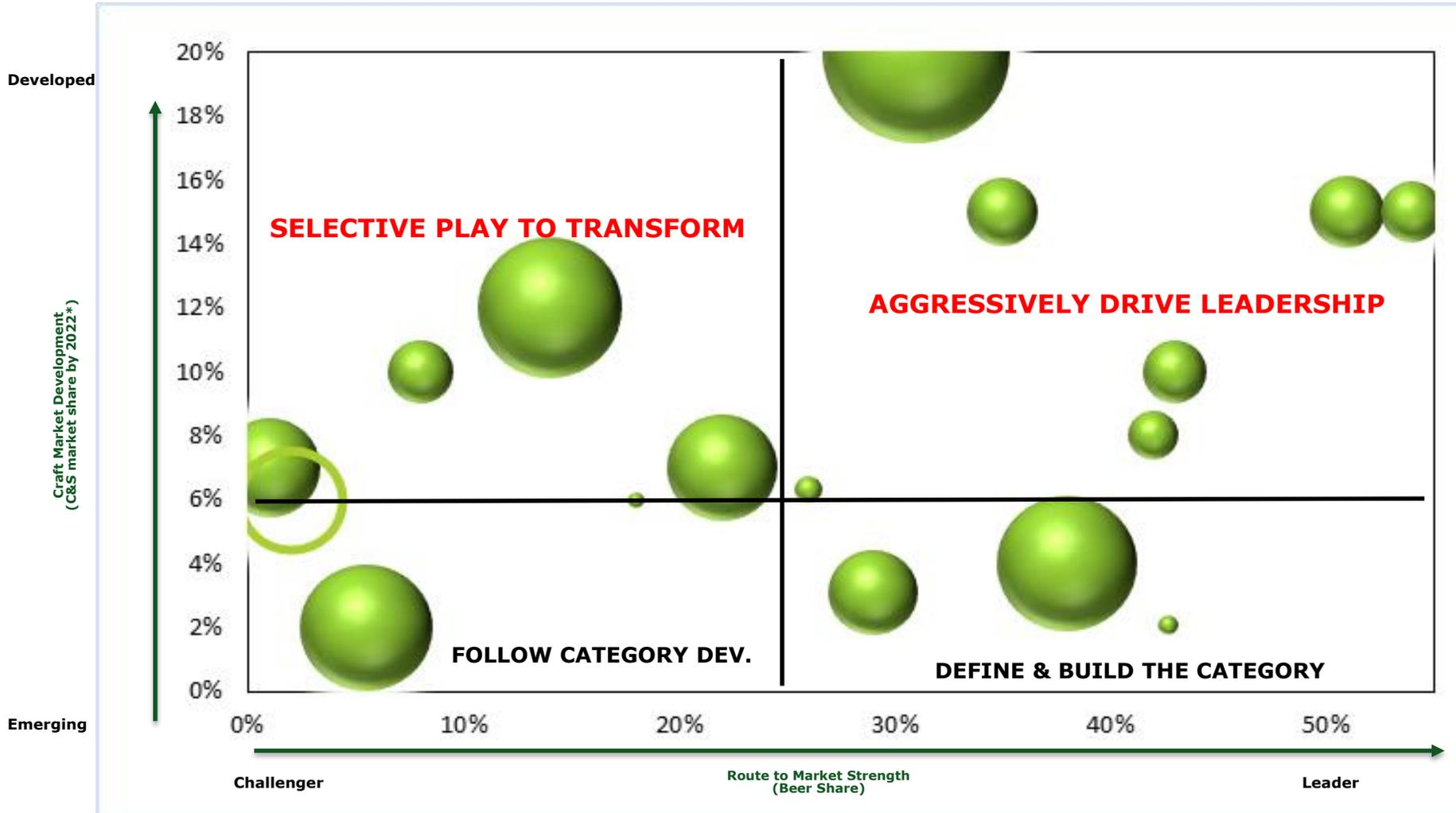


Source: Carlsberg estimates

*Total Asia excluding South Korea & Japan = 796m hlts; China 633m hlts

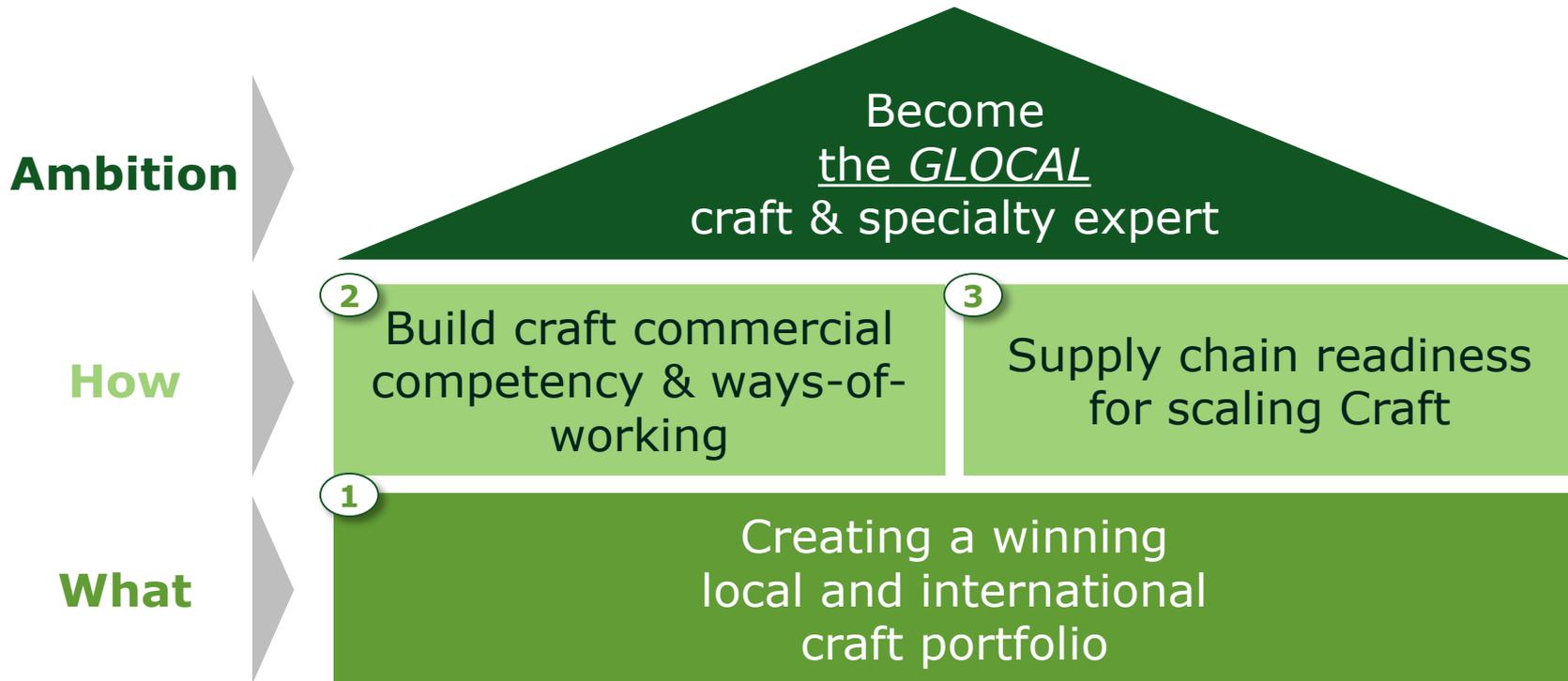
Two clear market clusters – based on C&S category potential & RTM strength

Where to play?



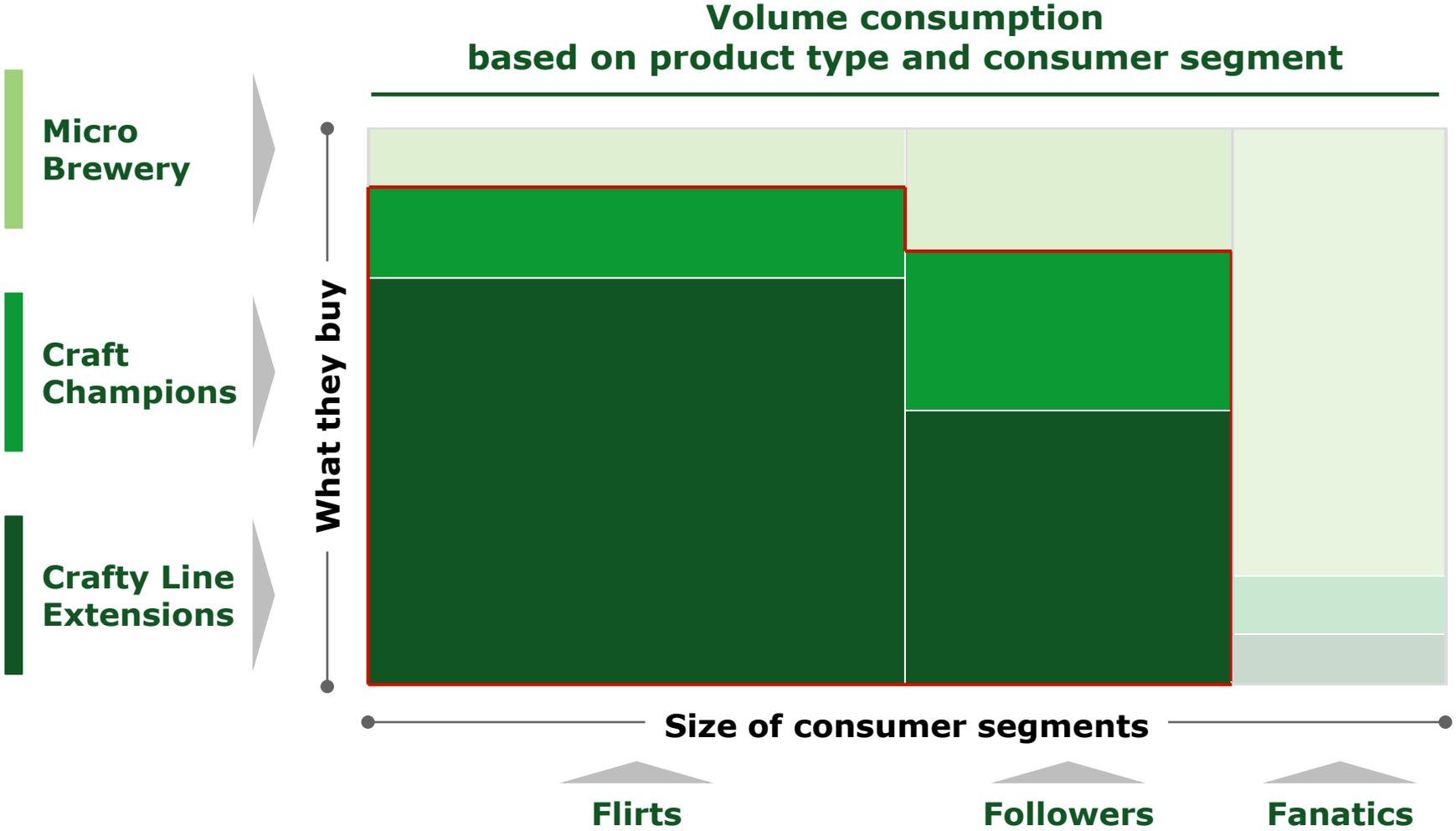
Source: Carlsberg estimates / illustrative purposes only

SAIL'22: Three linked enablers will deliver growth



A portfolio targeting the flirts and the followers

- We will deliver craft for the many, not for the few



Critical craft & speciality trends

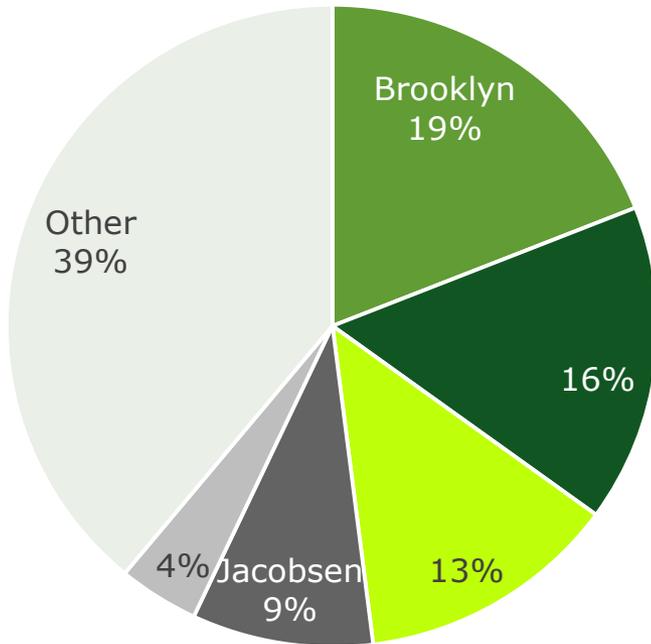
- Within Europe, four **critical C&S trends** illustrate how we can create scale
 1. Consolidation, leading to the creation of **national champions** amongst local craft segment
 2. Few **authentic craft brands** with route-to-market access are winning across markets, eg. Brooklyn
 3. The imported **specialities** gaining share but scale comes when brands break out of super-premium
 4. Mainstream **local brands** are **premiumising** by launching crafty line extensions in can



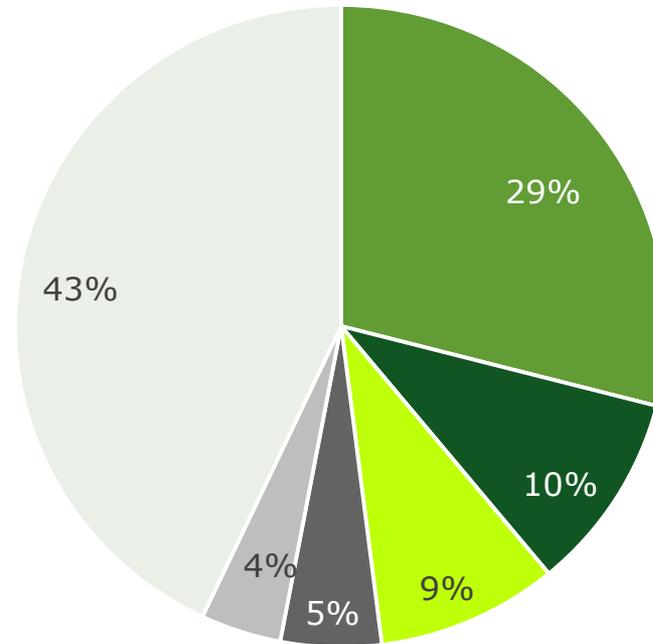
Proof points: Norway

Scale exists within the authentic craft segment

International authentic craft

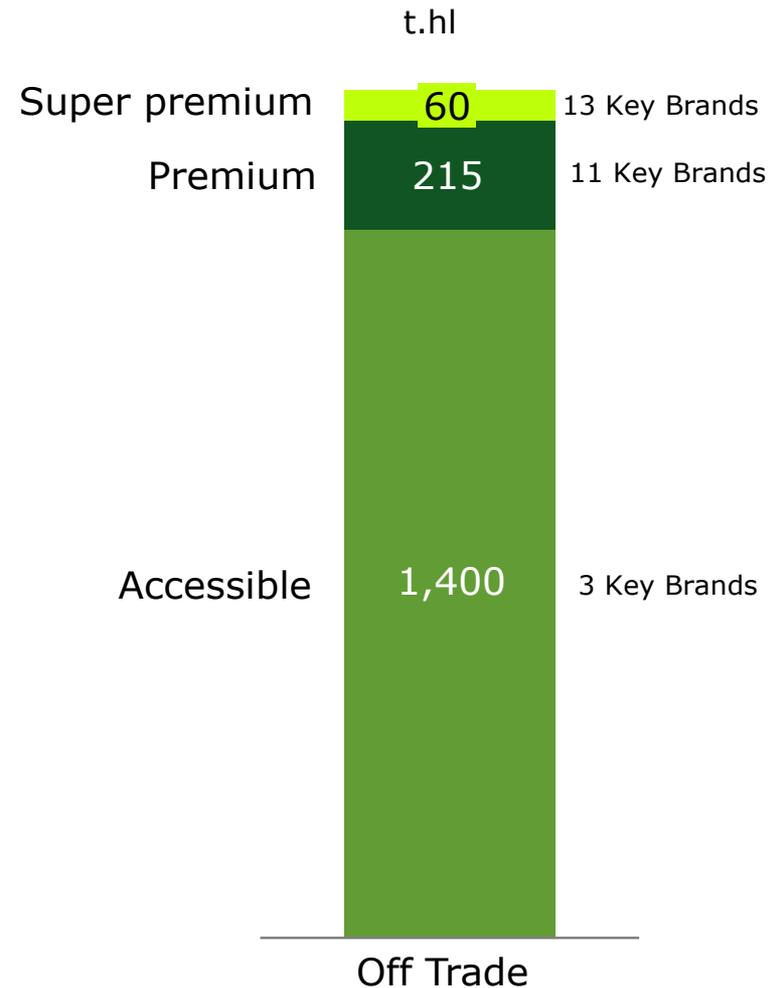
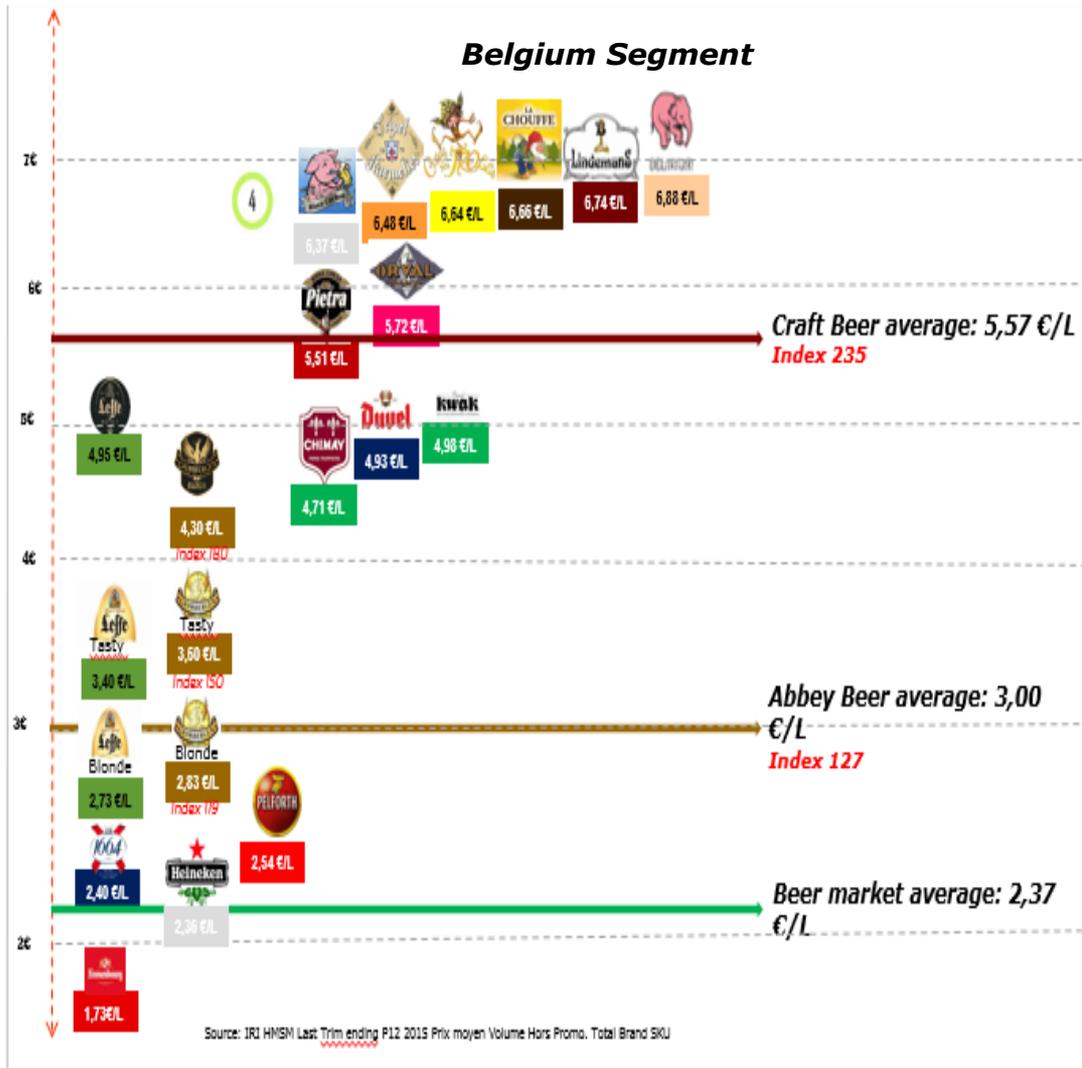


Local authentic craft



Source: Norway ACNielsen FY 2015 Value Off Trade

Proof points: France Scale in "Accessible" speciality, with high consolidation



Source: IRI 2015 Volume Off Trade

Our craft & speciality portfolio covers three scalable segments

1st



**Accessible
Crafty
extensions**
(price index 120+)

2nd



**Imported
specialities**
(price index 150+)

3rd



**Authentic
Craft
champions**
(price index 200+)

Strong historical growth in the developed Nordic markets in each segment



1st

5 year volume (CAGR)

Norway

Denmark

Sweden

Accessible Crafty

+13%

+27%*

+21%



2nd

Imported Speciality

+113%*

+30%

+74%*



3rd

Authentic Craft Champions

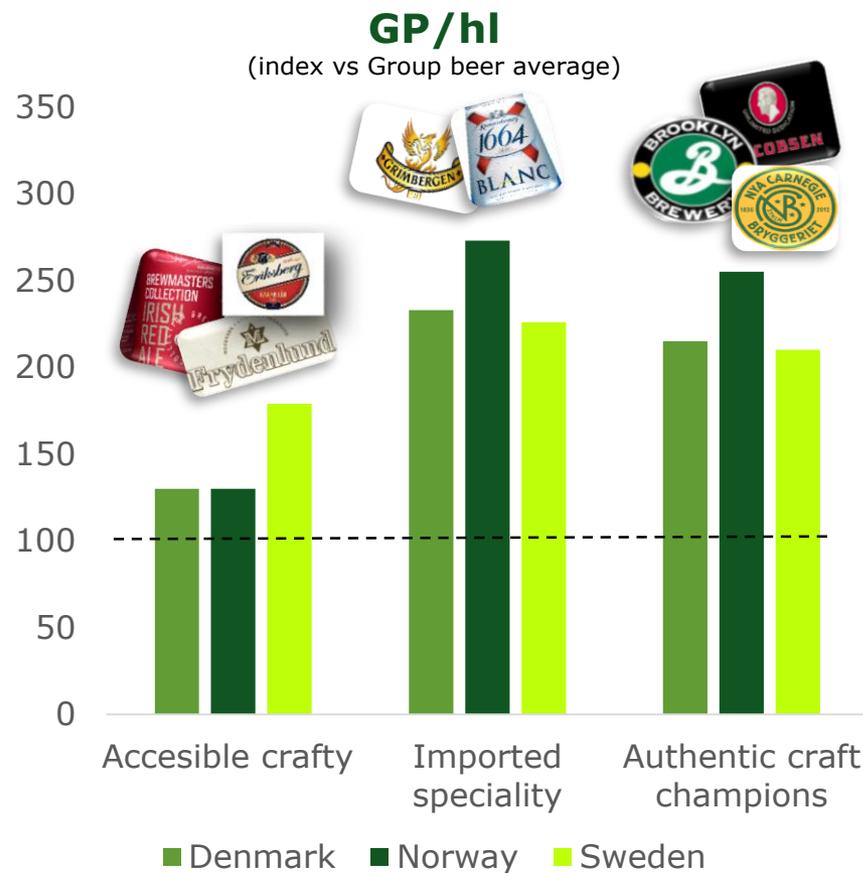
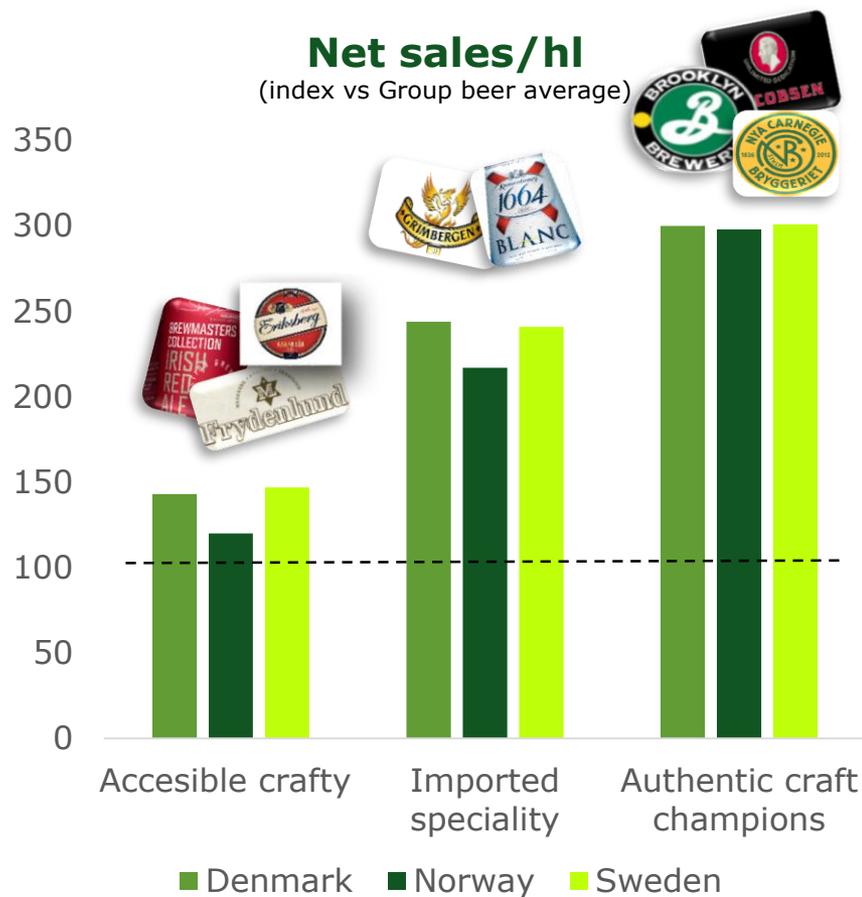
+126%

+13%

+51%

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

Each segment driving premiumisation, plus improved profitability vs the beer average



Accessible crafty extensions: clear framework

Crafty line extension: Framework

Brand & assortment

- ✓ Guidance on how to choose which local power brands to extend off
- ✓ Clarity on which beer styles to prioritise (three core styles)
- ✓ Guidance on winning Group recipes
- ✓ Direction on WE sourcing model
- ✓ Network developments & sourcing model
- ✓ Track consumer beer style insight by market

Pricing strategy

- ✓ Price index 120 to 150
- ✓ COGS premium vs core local power brands

Channel recommendation

- ✓ Clear price pack strategy in off-trade & on-trade

Communication & activation

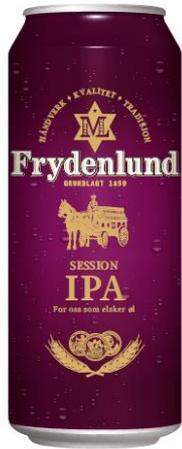
- ✓ Recommendation on launch mechanics
- ✓ Share best practice launches
- ✓ Clear brand pack architecture guidelines

Crafty line extensions already launched in 2016 delivering growth & premiumisation vs core

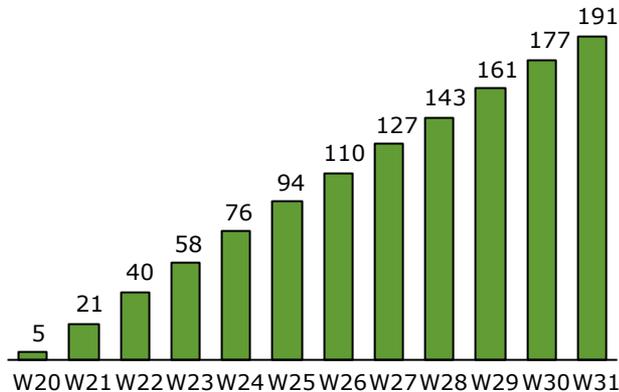
Performance YTD July

NO: FRYDENLUND SESSION IPA (SIPA)

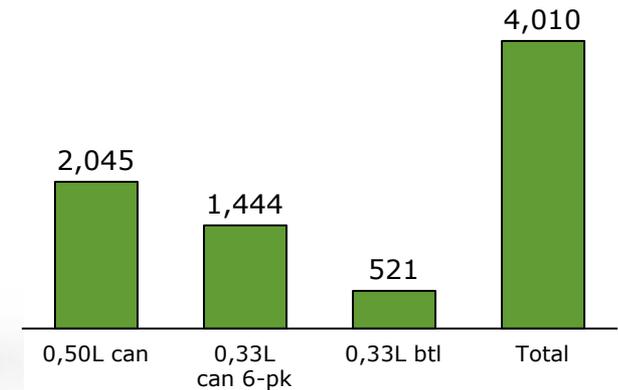
FI: KOFF AMERICAN PALE ALE (APA)



Weekly sales volume (1000l), acc.



Sales in HL YTD July 2016



- Launched May 2016. Off-trade only.
- Shopper data: Repurchase rate of 20%, higher than benchmark (competition)
- Consumer pricing at index 135 vs mainstream beer
- Current annual run-rate at 10 t.hl
- Brewed in scale brewery via traditional dry hopping

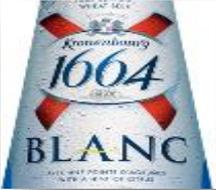
- Launched March 2016 in three formats: 0.5L can/0.33L can 6-pk/0.33L btl.
- Both off-and on-trade.
- Shopper data: Repurchase rate at 20%
- GPaL at index 265 vs beer average
- Current annual run-rate at 10 t.hl
- Outperformed competition in blind tasting of pale ales by #1 Finnish newspaper





THE ADVENTURES OF
BREWMASTERS
PRESENTS

Imported Speciality: Scale winning brands globally



Modern wheat beer



Belgian abbey beer

- Build the brand** (success in consideration)
 - Right positioning "Taste the French Way of Life"
 - Increase media SOV to from +1% to 6%
 - Events at market square to provide quality consumer experience
 - In-store visibility & POS
- Build right price** (100%)
 - Set in super premium price segment with price on par with key competitors (Share vs Hoegaarden by SKI index from 100 to 100)
 - Price index vs 1664 Lager remains at 100-115
- Increase WD** (right outlets)
 - Captured the drought beer trend and expand into premium drought outlets
 - Drive rate of sales in drought using beer tower (SL)
- Expand DOP** (right with right)
 - 1st super premium wheat beer to launch 500ml can in CVS and distribution improved from 0% in 2013 to 77%
 - Drive 4 bottle pack in 500ml to up size and distribution expand from 57% to 75%
 - Special 6 bottle on pack promotion + 3 year to top in to better reason to gain instant volume uplift

- Communication**
 - First ever POC for speciality beer in DK
 - Strong communication platform backed with extensive RTV campaign
 - Going from 12% to 27% Awareness in '15
 - Increased penetration from 2% to 8% in '15
- SKI & Price**
 - Launch of 75cl bottle with a clear BPC
 - 2000 ml sold in year one with 75cl SKI. Clear exceeding the 25cl SKI with 100% in volume
- Off Trade**
 - 75cl launch backed with heavy promotion program
 - CVS activation with over 40,000 glass
 - 30.2% to 38.2% and distribution in 2015 and index 268 on 100
 - Biggest foreign speciality beer on value 30.2% market share within this category, 7.8 pp increase last 12"
- On Trade**
 - Winning Brand great accepted taste
 - Introduction of Drought Master
 - Part of guest drought programme
 - Index 177 (CV) on distribution points, increased from 100



- Right Brand**
 - ADV 5% for On-trade & "ultramicroscopy"
 - ADV 4.6% (Jordan product) for Off trade
- Right Price**
 - Lager = 79 for 0.5l
 - 1664 Blanc = 89 for 0.4l
 - Index 140
 - BEST PRICE tag
- Increase WD**
 - WD increase thanks to great ROS
 - May 2015: Listed in category 6-7 (+61 stores)
 - November 2015: Listed in category 8 (+225 stores)
 - March 2016: Listed in category 1 (306 stores) = 100% of WD
- Cross channels**
 - On-trade
 - Wholesomely
 - Off trade
 - NEW tag

- Build the brand**
 - "A contemporary abbey beer"
 - Price positioning: Index 130 vs average
 - Media investment: Index 200 vs SOV (SOV = 7% vs 3.5%)
 - Added awareness 73% (+1pt)
- Build the range**
 - 3 Seasonal beers
 - 2 Easy flavored beers
 - 3 seasonal brews
- Increase WD**
 - +75pts
 - Pilot: +427
 - Est: +28
 - 1. Compete new POS: +1800 outlets with big range, +30 accessories/year in big cities
 - 2. Saturate new POS: Play bottles in addition to big, Play seasonal brews
- Develop trial**
 - Promo investment = Index 134 vs SOV (4.7% vs 3.5%)



Authentic Craft model: Collaborate & partner

International authentic craft



- Long term partnership
- Global role out: 15 markets YTD
- Licensed production model
- Lager & EIPA lead

Local authentic craft

Build via JV



Partner



Organic



- Selective play only in the most developed craft & speciality markets
- Leverage local company scale: route-to-market and supply chain
- Win locally, then scale regionally



Authentic craft has a repeatable brand building model

- Selectively win in on-trade first, then off-trade
- Beer styles for the many
- Variety for the few
- Experience: digital & physical
- Brand ambassadors





Q&A

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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