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Carlsberg announces its SAIL'22 strategy

SAIL'22 aims to strengthen our core business, position us for identified growth opportunities and deliver enhanced value for our shareholders

During the past six months, the Top-60 leadership team of the Carlsberg Group has together identified, evaluated and concluded on a range of strategic options. The chosen strategic priorities of SAIL'22 are based on key global trends, value drivers of the global beer industry and the Carlsberg Group's strengths. These priorities will be supported by moving to a team-based winning culture which is more focused on delivery and performance.

Our ambition: To be a Successful, Professional and Attractive brewer in our markets

To become a *Successful* company, we will drive top- and bottom-line growth by finding the optimal balance between three key measures: beer volume market share, gross profit after logistics (GPaL) margin and operating profit.

To become a *Professional* company, we will excel in our ability to service our broad range of customers, by strengthening our capabilities within consumer insights, customer management, category management and execution and innovation in the logistics' area.

To become an *Attractive* company, we will focus on creating shared value for shareholders, employees and the society. Attractive to shareholders by delivering consistent earnings growth and improving return on invested capital. Attractive to employees by creating a great working environment and actively encouraging a high-performance culture. Attractive to society by having a wider purpose of being responsible and sustainable, which also directly builds on our heritage.

Our key priorities: Strengthen Core, Position for Growth, Create a Winning Culture and Deliver Value for Shareholders

We will *Strengthen our Core and Position for Growth*, supported by a *Winning Culture*, with the objective of *Delivering Value to Shareholders*.

Strengthen Core

Leverage our strongholds. We will re-vitalise core beer by revising and streamlining our brand portfolios in our core markets to ensure a strong, efficient presence in key market segments and enable category growth. For this we will leverage our strong local brands and international brands and redirect investment to the brands which deliver the core of our current profit and have margin-growth potential.

Transform our business in Russia. Russia remains one of our key markets. Reflecting the vastness and diversity of the country, we will leverage our national brewery footprint, deliver disciplined execution of full portfolio of national and regional brands and improve sales execution.

Excel in execution. We will improve the quality, impact and efficiency of our execution. Along with marketing a smart portfolio of brands in a compelling way to consumers, our primary focus will be winning at point of purchase and improving customer service levels through increased investment in capabilities. We will significantly increase the consumer-facing proportion of our marketing investments, with a focus on digital engagement. We will maximize the output of our R&D activities.

Funding the Journey. The Funding the Journey programme is expected to generate net benefits by 2018 of DKK 1.5bn to 2.0bn. About half will be re-invested behind SAIL'22 initiatives and about half will improve earnings, with particular attention to margin improvement in Western Europe. A key element of Funding the Journey is disciplined and routine tracking. By 2018, key elements of Funding the Journey, such as value management, supply chain improvements and operating cost management will be part of our daily business.

Position for Growth

We want to drive growth in geographies and segments where we see long-term growth opportunities.

Win in Craft and Speciality. We will leverage our rich heritage and many authentic local brand propositions. We will build on positions we already have, while extending brands and geographies as appropriate.

Actively shape Non-Alcoholic Beer. We will build on existing successes and market a full portfolio of both line extensions and specialized brands in existing and new markets.

Target Big Cities. Through a targeted approach towards big cities we will tap into the marked global urbanisation trend. We will seek to build profitable businesses in big cities in both current and new geographies applying an asset-light model and focussing on premium propositions.

Grow in Asia. We will continue to capture profitable growth opportunities in Asia by leveraging our strongholds in growth markets as well as in the more mature Asian markets. We will further build our position in the large beer markets of China, Vietnam and India, which are markets where we have a solid foundation and good momentum on which to build. We will accelerate growth through product launches, geographical expansion within existing countries and successful brand portfolio management.

Creating a Winning Culture

We are making fundamental changes to the way we operate, designed to generate a strong team-based high performance culture. We are creating a strong sense of ownership across the organisation. SAIL'22 priorities are narrower and sharper, enabling us to better focus our human and financial resources. We are step-changing accountability for delivering results, putting in place rigorous tracking mechanisms. We will have tight alignment between management incentive plans and financial objectives.

Deliver value for shareholders

By delivering the above priorities we want to deliver consistent value growth for our shareholders through:

- Continuous organic operating profit growth.
- Continuous improvement of return on invested capital

In terms of capital allocation priorities, our first priority is to invest in our business to drive profitable growth. Subsequently, we will distribute capital in the following way (in prioritised order):

- We target a net interest-bearing debt/EBITDA of less than 2.0x to ensure a solid balance sheet.
- We target a dividend pay-out ratio of 50% of adjusted net result.
- Excess cash will be distributed to shareholders via share buy-backs or extraordinary dividends.

We may temporarily deviate from the above capital structure targets if value-enhancing acquisition options arise.

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President and CEO Cees 't Hart says: "With SAIL'22 the Carlsberg Group is embarking on a journey with the ambition to become a successful, professional and attractive brewer in our markets. By strengthening our core, positioning for growth and creating a winning culture, we will deliver improved financial performance and consistent value creation for our shareholders.

"While it is evolutionary in that beer remains the core of our business, it represents a fundamental change in the way we operate. The SAIL'22 initiatives build directly on our many strengths, including strong market positions, an excellent portfolio of international and local brands, our strong heritage, compelling innovation capabilities and proud and engaged employees.

"We now have a set of clear strategic and financial priorities. We will allocate resources against these priorities to ensure that we strengthen our core business and capture the many growth opportunities. We are also creating a team-based performance culture, designed to create a high sense of ownership and accountability."

The Chairman of the Board, Flemming Besenbacher, says: "The Supervisory Board believes that SAIL'22 sets the right direction for the Carlsberg Group. The strategy is firmly based on the key capabilities and the heritage of the Group; and we believe that the strategy will deliver long-term sustainable value growth to the benefit of shareholders, employees and other stakeholders."

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The Carlsberg Group is one of the leading brewery groups in the world, with a large portfolio of beer and other beverage brands. Our flagship brand – Carlsberg – is one of the best-known beer brands in the world and the Baltika, Carlsberg and Tuborg brands are among the eight biggest brands in Europe. More than 45,000 people work for the Carlsberg Group, and our products are sold in more than 150 markets. In 2015, the Carlsberg Group sold 120 million hectolitres of beer, which is about 36 billion bottles of beer.

Find out more at www.carlsberggroup.com.