

The Danish Brewery Group A/S Annual Report 2004



CSFB Global Beverages Conference
23 March 2005



Overview

The Company

- Second largest brewery business in Scandinavia
- Scandinavia's leading beer exporter
- Approx. 2,000 employees
- More than 13,000 shareholders

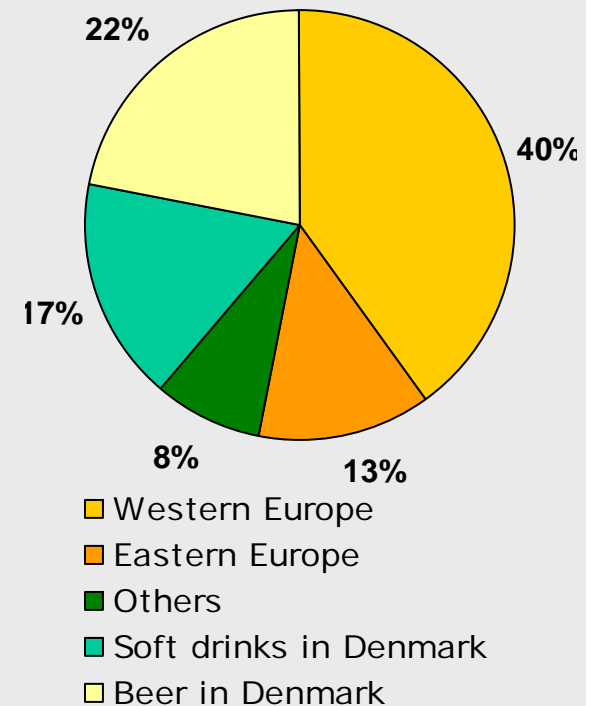
Its Products

- Ceres is a leading brand in Italy (85% market share in the segment)
- Royal Pilsner and Classic show progress in Denmark
- Royal Export is the preferred strong beer in Denmark
- Kalnapilis is a leading premium brand in Lithuania
- Cido is a leading soft drinks brand in the Baltic countries
- Faxe is the leading import brand in Germany, Poland, and Lithuania
- Faxe Kondi is the number 2 soft drink in Denmark
- Vitamalt is the number 3 malt drinks brand in the world



**Net revenue: DKK 2.9 billion
(2004)
(≈ EUR 385 million)**

**Revenue distribution
2004**



Vision and Business Focus

Vision

We will with increasing profitability develop the Group to be one of the leading providers of beverages in Northern Europe and outside this region develop profitable export markets.

Business Focus

- Northern Europe (Nordic and Baltic countries, Northern Germany, Poland):
 - Domestic market: National/Regional
- Italy and Canada:
 - Niche strategy (beer)
- The Caribbean, Africa, and the UK:
 - Niche strategy (malt)



Albani

CERES

CID
PARTIKAS GRUPA

FAKE

Kalnapilis

LĀČPLĒSIS
Alus no Latvijas
SINCE 1965

Maribo Bryghus

**ROYAL
BEER**

TAURAS

Thor

Group Structure



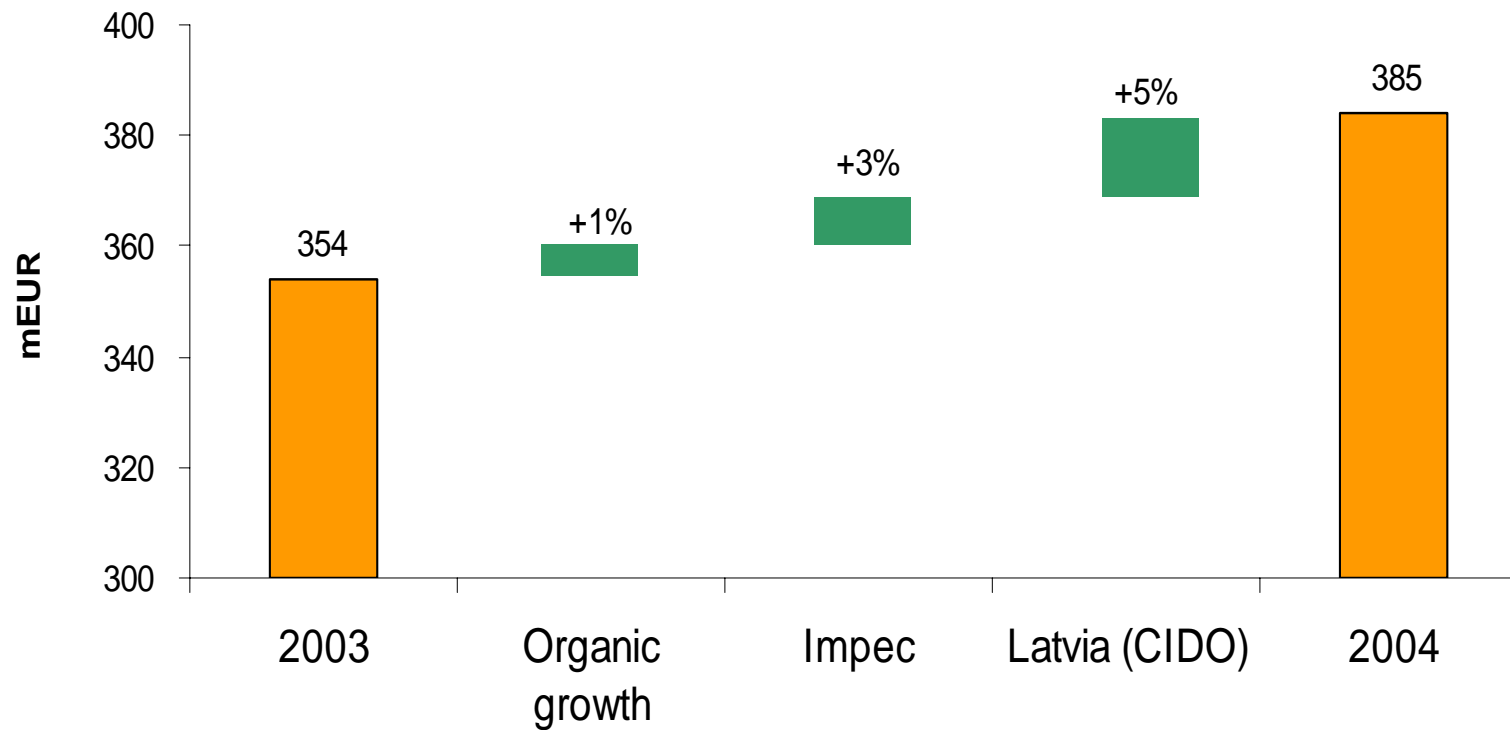
Highlights - 2004

- Sales up by 17% in total
- Net revenue up by 9%
- Profit before tax of EUR 34 million, the best performance ever by the Group
- V8 strategy had a positive effect
- V8 targets realised:
 - Profit margin: 10.1%
 - ROIC: 10.5%
 - Free cash flow (before acquisitions): EUR 31 million
- Dividend proposed to increase to EUR 1.2 per share
- The Danish Brewery Group intends to continue its share buy-back programme

mEUR	2004	2003	% change
Sales (million HL)	4.8	4.1	+17
Net revenue	385	354	+9
Operating profit	39	38	+2
EBIT	39	33	+19
Net financials	-5	-3	-94
Profit before tax	34	30	+12
Net profit for the year	23	20	+13



Elements in top line growth - 2004



V8 – V8 Next

Financial targets 2003-2004

	Target	2003	2004
ROIC	> 10%	10.1%	10.5%
Profit margin	>10%	10.7%	10.1%
Free cash flow (before acquisitions)	> mEUR 27	mEUR 36	mEUR 31

Key elements:

- Strengthening the Group's beer position in Denmark through Royal products:
 - Royal Export
 - Royal Pilsner and Royal Classic
- Introduction of Heineken in Denmark
- Relaunch of Kalnapilis in Lithuania
- Closure of brewery in Randers
- Strengthening of marketing, product development and innovation
- Increased efforts in the area of staff development
- Resource optimisation with total savings of EUR 5 million on an annual basis
- Increased commitment to the key markets



V8 – V8 Next (cont.)

:

- Win market share:
 - Royal Export: 15% of segment
 - Royal Pilsner/Classic: 5% of segment
 - Heineken: 1% of segment
 - Lithuania: 24% of market
- Improved efficiency shows results: approx. mEUR 7 on an annual basis
- Changes in distribution system, staff reduction and other measures show savings in 2005: approx. mEUR 4 on an annual basis



Significant Events – 2004

- Cold and wet summer in 2004
- Intensified competition and price pressure in Northern Europe
- No solution for disposable containers in Germany
- Unsatisfactory development for Hansa Borg Bryggerier
- Poland shows negative result
- Market shares:
 - Up in Denmark: Royal Export, Royal Pilsner and Classic, COOP Faxe Kondi and Mirinda
 - Italy: Won market share in a declining total market
 - Lithuania: Increase of Kalnapilis and Tauras
- Positive profit development in Lithuania
- Cido lives up to expectations



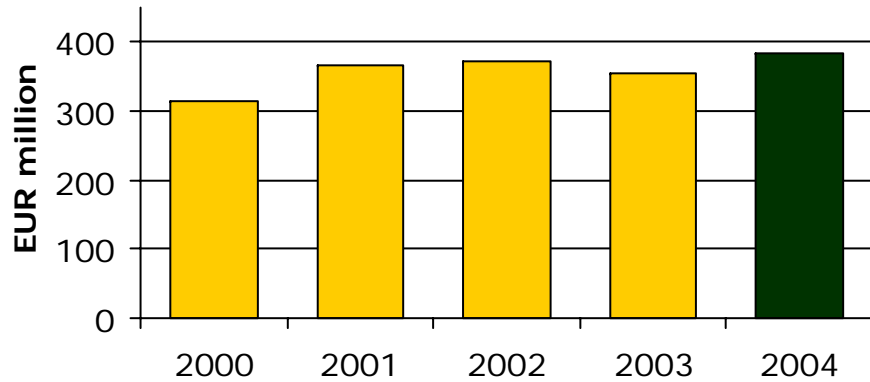
Market Development – Main markets (volume)

	Market	DBG
Denmark:		
• Beer	-6%	+17%
• Soft drinks	-6%	-1%
Italy	-3,5%	+2%
Lithuania	+5-6%	+10%

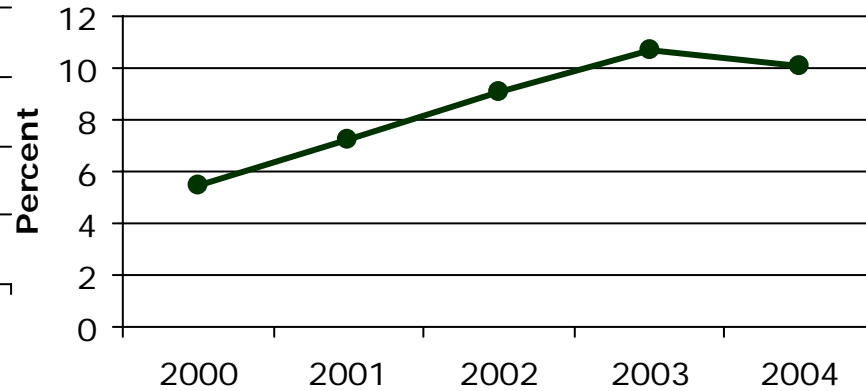


Financial Development 2000 - 2004

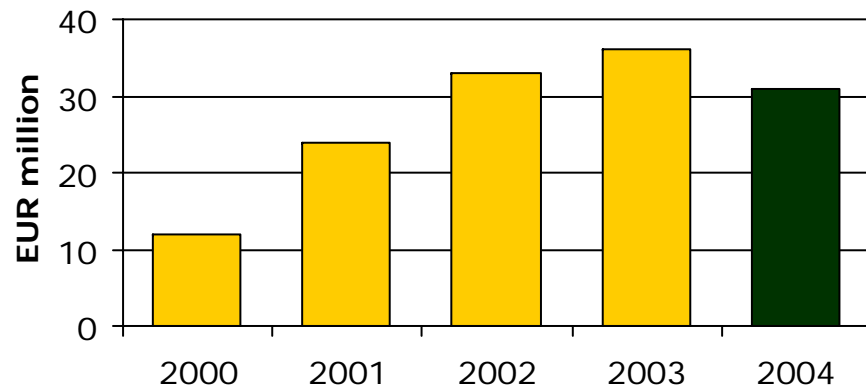
Net revenue



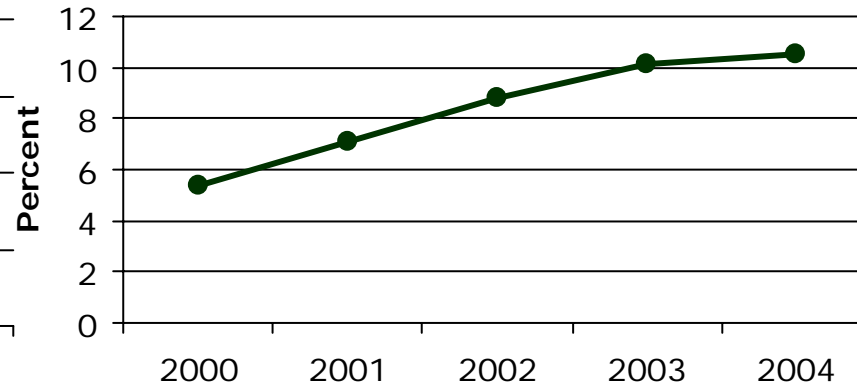
Profit margin



Free cash flow

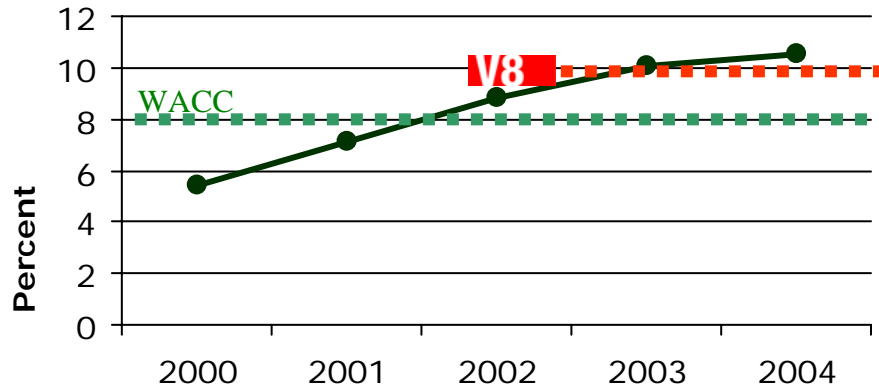


ROIC

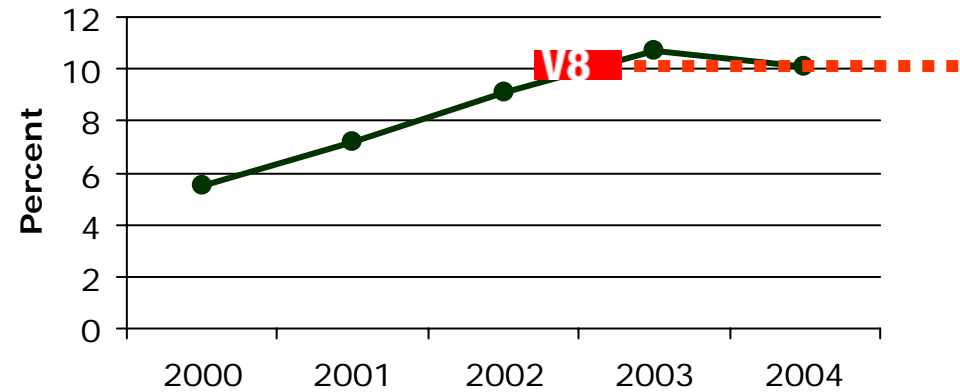


Our V8/V8 Next Targets have been met

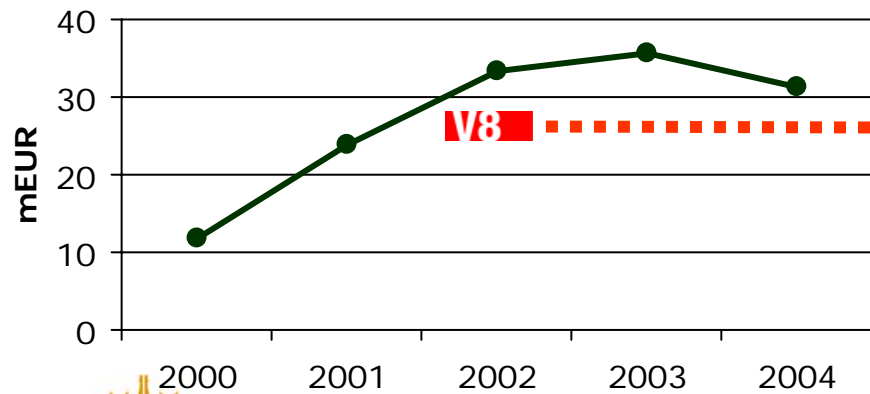
ROIC



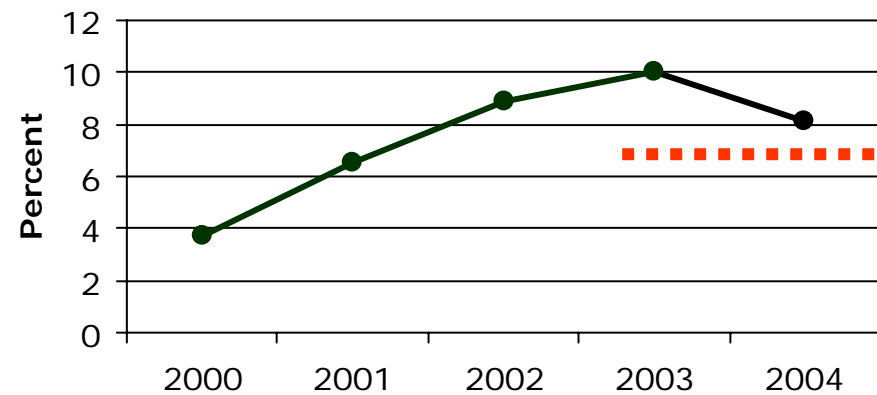
Profit margin



Free cash flow

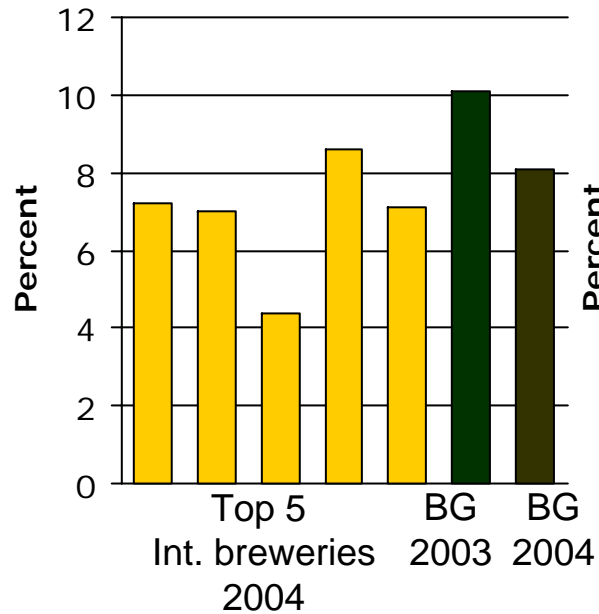


Cash conversion ratio

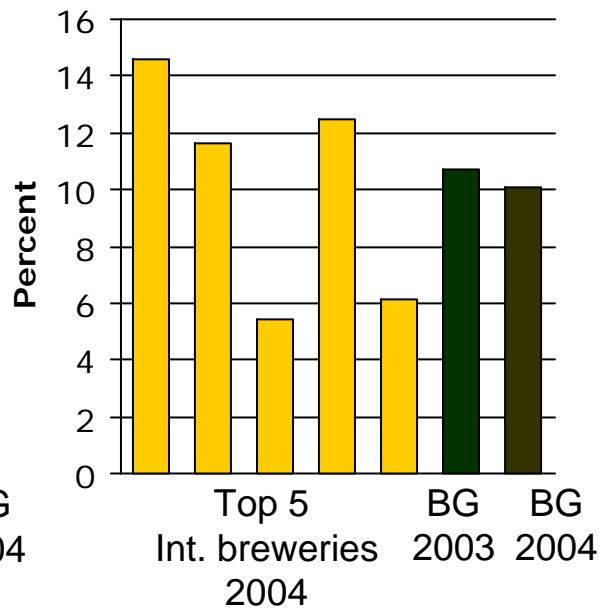


Peer Group - Comparison 2003/2004

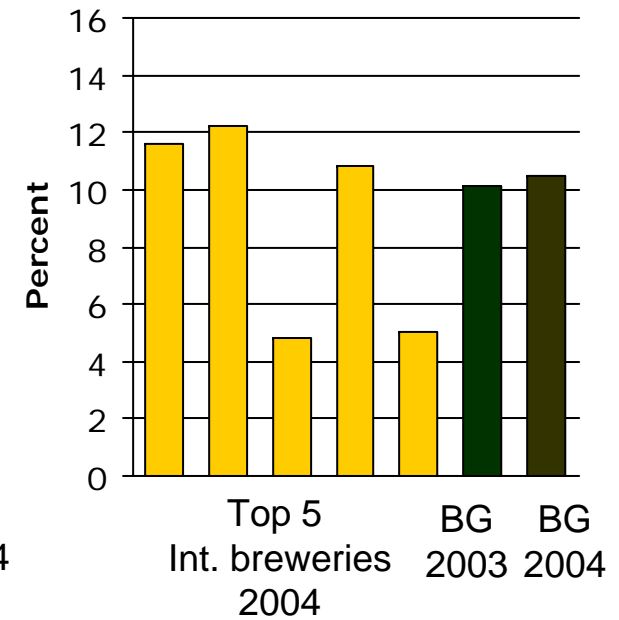
Cash conversion rate



Profit margin



ROIC



Status – End 2004

- Well-tuned business with efficient production facilities and administration geared for growth



(2005 –2007)
Value Creation
through
profitable international growth

- Profitable revenue growth from some EUR 400 million today to at least EUR 600 million in 2007
- Financial targets remain unchanged over the next 3 years:
 - ROIC: $\geq 10\%$
 - Profit margin: $\geq 10\%$
 - Free cash flow (before acquisitions): $\geq 7\%$ (of net revenue)



MACH II – Main Items



- 1. Ensuring profitable revenue growth from some EUR 400 million (2004) to at least EUR 600 million (2007) while still achieving a two-digit ROIC and profit margin as well as free cash flow of at least 7 per cent of net revenue.**
- 2. Further development of the Baltic countries through optimisation, integration and streamlining in order for the Baltic countries to show two-digit ROIC and profit margin by 2007 at the latest.**
- 3. Developing the core competencies of The Danish Brewery Group to operating strong regional/national brands.**
- 4. Intensified product innovation - focus on developing strong brands through increased investment in marketing and product development.**
- 5. Business excellence to ensure continued savings and rationalisation gains with a total full year effect of EUR 3 million already in 2006.**
- 6. Establishment of new international corporate identity.**



Expectations for 2005

- Basis IFRS
- Excl. acquisitions
- Net revenue expected to increase by approx. 10%:
 - +7% from the effect of Cido and Lacplesis
 - +3% organic growth
- Effect of resource and optimisation activities
- Competition and price pressure continue in Northern Europe
- Financial items will improve due to cash flow and Hansa Borg Bryggerier



Expectations for 2005 (cont.)

- Expected profit before tax: **EUR 39-46 million**
(comparable 2004: EUR 36 million based on IFRS)
- Investments expected to amount to: **EUR 25 million**
- Tax rate expected to amount to: **29%**



Dividend and Buy Back Policy

- Dividend policy:
 - 2004 (proposed): 1.2 EUR/share 33% of profit after tax
 - Future policy: To propose payment of an annual dividend to shareholders in the range from 25% to 40% of the net profit. However, dividend will always be proposed taking into consideration the strategic plans and cash position of the Company
- Buy back policy:

We will continue buying back shares –
eg taking into account the Company's financial position



Thank you for your attention ...



Disclosure

The statements about the future made in the Annual Report for 2004 reflect Management's expectations in respect of future events and financial results, as well as of economic trends in key markets and developments in international money, foreign exchange and interest rate markets. Statements about the future will inherently involve uncertainty and may be affected by – in addition to global economic conditions - market-driven price reductions, market acceptance of new products, packaging and container types, unforeseen termination of working relationships and changes to regulatory aspects (taxes, environment, packaging). The actual results may therefore deviate from the expectations stated.

The Danish Brewery Group is a party to a limited number of legal actions. These legal actions are not expected to have any material impact on the financial position of The Danish Brewery Group.

