Capital Market Day 2014

The CFO agenda
Lars Vestergaard, Group CFO

MANAGING THE CYCLE AND PREPARING FOR THE UPTURN

One Source
Lars Vestergaard, Group EVP and CFO

- Group EVP and CFO, since April 2014
- Carlsberg (2004-2014):
  - Vice President and Chief Information Officer
  - Chief Financial Officer, UK
  - Vice President, Treasury
  - Director, Treasury
- ISS (2000-2004):
  - Vice President, Treasury
  - Assistant Treasurer
- MSc Business Management
- Born 1974, Danish
Managing the cycle and preparing for the upturn

Our key objective is to keep our financial promises and have sufficient capital to develop the business and deliver on our vision.

- Drive financial performance
- Capital efficiency
- Manage capital allocation
Drive Financial performance

Managing the downturn

- Efficiency programme
- Business right sizing activities
- Working capital project

Preparing for the upturn
Simplification and transparency

- Combine similar business models in the same divisions
- Create stronger financial infrastructure based on country structure
- Develop more common tools and processes to deliver synergies and transparency

We will deliver on our financial promises
..and the initiatives are working
Revenue, EBITA and adjusted EBITA - by new divisions

- **Customer Services**

- **Product Companies**

- **Minerals**

- **Cement**

- **Revenue**

- **EBITA margin**

- **Adjusted EBITA margin**

- **EBITA% long term target**

**Restated divisional figures**
## The new divisions

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Minerals</th>
<th>Cement</th>
<th>Customer Services</th>
<th>Product Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineered, customised single products</td>
<td>Engineered, customised single products</td>
<td>Spare parts ~70%</td>
<td>Relatively standardised and market-leading product range</td>
<td></td>
</tr>
<tr>
<td>EPS projects</td>
<td>EPS projects</td>
<td>Services ~15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPC projects</td>
<td>EPC projects</td>
<td>O&amp;M ~15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cyclical business, large orders, negative NWC, low margins</td>
<td>Project execution</td>
<td>Small orders, stable high margins, growth</td>
<td>Stable high margins, original equipment &amp; spare parts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Procurement</td>
<td>Inventory Logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Full flow sheet offering</td>
<td>Speed</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Engineered products</td>
<td>O&amp;M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Characteristics</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our excellence</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key financial challenges</td>
<td>Managing the cycle</td>
<td>Efficiency</td>
<td>Invest in growth, pricing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business right sizing</td>
<td>Pricing</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Project controlling</td>
<td>NWC: Inventory, A/R</td>
<td>Capacity utilisation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NWC: Prepayments, WIP</td>
<td>NWC: Inventory, A/R</td>
<td>NWC: Inventory, A/R</td>
<td></td>
</tr>
</tbody>
</table>
Implementation of country based finance organisations

**Today**
- One head of finance per site
- Lack of specialisation
- Finance linked to Business Units
- No scale benefits
- Own ERP

**1 January 2015**
- One head of finance per country
- Specialisation
- Finance linked to country
- Scale
- Consolidated ERP (longer term)
Capital Efficiency

Asset light business model
- Key focus to keep investments at same level as depreciation and amortisation

Investments in R&D / IT assets
- R&D – strict rules on capitalisation
- IT – only capitalise pure IT cost

Key focus is working capital

We will keep our asset light business model
Net working capital management

Building a cash culture

Management focus
- Working capital is a focus area on all business reviews

Incentive programmes
- Bonuses are linked to working capital

Training

Working capital initiatives

Local initiatives:

Global processes:
- Group standard supplier payment terms
- Accounts receivables overdue follow up
- Project accounting tools to manage WIP (being rolled out)
Capital allocation

NIBD and gearing

Gearing 2.6x EBITDA

Capital deployment
(prioritised)

1. Be well-capitalized (NIBD/EBITDA < 2)
2. Ensure stable dividends (30-50% of net profit)
3. Invest in organic growth
4. Value adding M&A (not actively seeking)
5. Share buyback or special dividend
Maturity on debt facilities

- New DKK 5bn revolving credit facility entered with strong support from banks
- Financing needs for coming years covered
- More attractive conditions
- Focus on reducing cash on balance sheet
The CFO agenda in short

- **Drive financial performance**
  - More transparent business model
  - Improved financial infrastructure
  - More common tools and processes

- **Capital efficiency**
  - Remain asset light
  - Full focus on working capital

- **Capital allocation**
  - Keep strong balance sheet
  - Long committed financing in place
  - Organic growth prioritised