Q3 2022 AIDE MEMOIRE

A number of events in 2021 and 2022 have an impact on the year-on-year comparison for Q3 and full-year 2022. These include the following items, which you may wish to consider in your modelling. Please note that the items listed below are not exhaustive and that other factors may affect the comparisons for Q3 and FY 2022 versus the same periods last year.

FACTORS IMPACTING COMPARATIVE FIGURES

Western Europe

In the H1 2022 announcement we commented on the expected H2 2022:

"H2 will have tougher comparables due to the very strong Q3 2021, and revenue/hl will not benefit from the on-trade recovery as in H1."

At the Q2 2022 conference call, we commented on the revenue/hl for Q2 and H2 2022:

"We did price increases across our markets in H1. Commodity prices and energy costs continue to go up and the favorable hedges from last year are rolling off. Therefore, we will take price increases across the region again in H2 in order to mitigate the higher cost, which will impact us in the second half of this year and the next year."

Asia

In the Q3 2021 announcement, we said:

"The positive trajectory in China continued, partly supported by easy comparables due to lockdowns in parts of western China last year. In India, the market recovery continued, and our Q3 volumes were almost back at 2019 levels. In Cambodia, our business benefited from our soft drinks business, which was able to significantly offset the weak beer market. The beer markets in Laos, Vietnam, Malaysia and Singapore declined due to restrictions and lockdowns."

In the Q2 2022 announcement, we commented on China:

"As expected, our business was sequentially more impacted by local COVID-19 restrictions during Q2."

At the Q2 2022 conference call, we commented on India and Vietnam:

"Our Indian business saw a very strong recovery in Q2, following a slow start to the year as January and February were impacted by the outbreak of the Omicron variant.

"In Vietnam, volume growth was in the mid-teens, driven by our local Huda brand, and very strong growth for the international premium brands. We are increasing our investments in Vietnam considerably, both behind brand and through investments in route-to-market."

Central & Eastern Europe

In the Q2 2022 announcement, we commented on Ukraine:

"… we restarted production at two of our three breweries during April and May and, by the end of June, production had also been reinstated at the third brewery."

At the Q2 2022 conference call, we commented on the other markets in the region:

"Excluding Ukraine, volumes grew by around 7%. Revenue per hectoliter was strong at 14%, driven by a positive channel mix, due to the on-trade recovery in the southeastern part of the region, brand and country mix and price increases."

Costs

At the Q2 2022 conference call, we commented on the COGS development for H1 2022:

"In first half, cost of sales per hectoliter was up by 14% due to high commodity prices and energy costs."

…and further commented on COGS for full-year 2022:

"… we expect cost of sales per hectoliter to increase by low-teens in 2022."

At the Q2 2022 conference call, we commented on the 2023 COGS development:

"At this point in time, we cannot comment specifically on 2023. However, we do expect cost of sales per hectoliter to increase further, but we will stick to the rigor of aiming to grow profit per hectoliter also going forward. We will come back with more detail in February next year, when we give the guidance."

OUTLOOK

In the Q2 2022 announcement we reiterate earnings guidance for 2022:

"On 8 August we upgraded our 2022 earnings outlook. The upgrade was based on the strong business performance year to date, including in July, and the achievement of a consistent level of operations in Ukraine. Now that a consistent level of operations has been resumed in Ukraine, the full-year operating result in Ukraine is included in the operating profit. The full-year outlook is:

- *High single-digit percentage organic operating profit growth (unchanged from announcement of 8 August)*

Compared with the very strong earnings growth in H1, we are expecting a weaker year-on-year earnings development in H2. The main reasons for this are:

- *Rising commodity prices and energy costs and last year's hedging gradually rolling off will result in an increase in cost of sales/hl year on year and compared with H1. Although we will further increase prices, there will be a timing difference between increases in cost of sales and price increases.*

- *In H2, we will further accelerate investments in our strategic priorities, including marketing investments across the Group, and sales investments, particularly in Vietnam and China.*
- *H2 will have tougher comparables due to the very strong Q3 2021, and revenue/hl will not benefit from the on-trade recovery as in H1.*

The outlook for the year remains uncertain, as the development of the war in Ukraine; continued uncertainty regarding input costs; possible supply chain disruptions; the COVID-19 pandemic, including possible government actions, particularly in China; consumer sentiment; and macroeconomic developments may all have significant implications for business performance during the remainder of the year.

Based on the spot rates at 16 August, we assume a translation impact on operating profit of around DKK +350m for 2022 (unchanged).

Other relevant assumptions are:

- *Financial expenses, excluding foreign exchange losses or gains, of around DKK 550m (previously DKK 550-600m).*
- *Reported effective tax rate of around 22% (previously 22-23%).*
- *Capital expenditure (CapEx) at constant currencies at DKK 4.5bn."*

At the Q2 2022 conference call we commented on the phasing of profits between H1 and H2 2022:

"Let me elaborate on the expected second half performance, as we are assuming a weaker earnings progression in the second half. The increase in commodity and energy prices will have a higher impact on our cost of sales in second half than in first half, due to the rolling off of the more favorable hedges which we entered into last year. While we will increase prices across our market in second half, these price increases will time lag the input cost increases. In addition, we have decided to further accelerate our SAIL'27 strategic priorities investments, including marketing investments across the group and sales investments particularly in China and Vietnam. Lastly, we have tougher comps in the second half than in the first half and revenue per hectoliter will not benefit from the on-trade recovery as in first half."

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