FY 2022 AIDE MEMOIRE

A number of events in 2021 and 2022 have an impact on the year-on-year comparison for Q4, H2 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 Q4, H2 and FY 2022 versus the same periods last year.

FACTORS IMPACTING COMPARATIVE FIGURES

Western Europe

At the Q3 2022 conference call, we commented on the impact from H2 price increases:

"…we concluded negotiations for a second price increase during Q3 in all market except for Germany. However, the impact in Q3 from the second price increases was limited, as most price increases came into effect in late Q3 or will come into effect in Q4."

… and made the following comments with regards to consumer sentiment:

"With regards to the European environment, the consumer sentiment is indeed very low. But we have seen very little evidence of our consumer impact – of any consumer impact, but we see some signs in some markets, with Poland being the most visible one, where flavoured products – these are a bit more expensive products – and Somersby are declining. But on the other hand, Harnas, the mainstream brand, is increasing. In France, we're seeing growth for our mainstream brand Kronenbourg, which indicates maybe some down trading in France, but also shows the strength of our portfolio, covering all our price points.

"With regards to the UK, we see there are some difficulties in the markets so to say. The on-trade frequency, the vist frequency has declined significantly over the last couple of months. On the other hand, we have not seen it really back in our volumes in Q3. We had a minus 3% development."

… adding:

"That was for Q3 and what we see at this moment in time. As inflation continues to increase and brewers increase prices again in the second half of the year and beginning of 2023, yes, you could argue that we see some bigger risk in 2023. But again, for now, very little evidence."

We also commented on the volume development in Poland in Q3:

"Our volumes were up by 10%, supported by easy comps and retailers stocking up prior to our price increases."

Asia

At the Q3 2022 conference call, we commented on the COVID-19 impact in China in Q3 and beginning of Q4:

"…when we go to China, as we've seen for China, Q3 it was a bit muted with regards to the volume growth development and that was very much following the COVID-19 restrictions, impacting in particular, the northwest, but also the Chongqing and Sichuan province. We are still doing better than the market and delivering a positive share development and revenue per hectoliter development, but indeed, we are a bit more hit by COVID in the second half of the year than – even when we speak about current trading – than in the first half of the year. To put a bit more color on that, Xinjiang and Ningxia provinces are not being released from lockdown so far. Also in Yunnan, there's some tightening of the measures."

… and we commented on some of the other Asian markets:

"It was another quarter with very good volume growth in Laos, Vietnam and in Cambodia."

Central & Eastern Europe

At the Q3 2022 conference call, we commented on the volume impact from Ukraine:

"Regional volumes were impacted by the war in Ukraine and were down by 2.5%.... Excluding Ukraine, organic volume was up by 1.4%."

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 Q3 2022 conference call, we commented on the 2023 COGS development:

"With respect to COGS 2023, first of all, we are now approximately 90% hedged on aluminium and also on malt for 2023. It's too early to give sort of precise comment as you know on 2023, both COGS and logs due to the volatility. We do expect costs per hectoliter to increase."

In the Q2 announcement, we commented in the FX impact in net financial items:

"Financial items, net, amounted to DKK -508m against DKK -262m in 2021. Lower funding costs were offset by currencies and fair value adjustments. Excluding foreign exchange gains and losses, financial items, net, amounted to DKK -230m (2021: DKK -277m)."

OUTLOOK

In the Q3 2022 announcement we upgraded earnings guidance for 2022 to:

"In light of better-than-expected performance in many of our markets, we upgrade the earnings expectations for 2022:

• Organic growth in operating profit of 10-12% (previously high single-digit percentage growth).

Based on the spot rates at 26 October, we assume a translation impact on operating profit of around DKK +250m for 2022 (previously around DKK 350m).

Other relevant assumptions remain unchanged:

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

At the Q3 2022 conference call we commented on the phasing of profits between H1 and H2 2022:

"Even with the increased guidance, we are expecting weaker operating profit growth in second half than the first half for the same reasons as mentioned at the H1 announcement, namely the increase in commodity and energy pricing, which has a more severe impact on our cost of sales and logistic costs in second half and in first half due to the rolling off of the more favorable hedges from last year. While we are increasing pricing again in second half, these price increases lack the input cost increases. In addition, we are further accelerating investments into our SAIL'27 strategic priorities, including marketing investments across the group and sales investments, particularly in China and Vietnam. Lastly, we have tougher comps in second half than in first half and revenue per hectoliter is not benefiting from the Western European on-trade recovery as was the case in first half."

At the Q3 conference call we commented on the size of the Q4 and 2023 share buybacks:

"The increase in the Q4 buyback is not an indication of the size of the quarterly programs in 2023. The quarterly programmes will, as always, depend on expected earnings and cash performance as well as expected leverage by end-2023."

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