Q2 2017 Aide Memoire

A number of events in 2016 and 2017 have an impact on the year-on-year comparison for Q2 2017. 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 Q2 2017 versus Q2 2016.

Factors impacting comparative figures

Western Europe

At the Q4 2016 conference call, when asked about the volume impact from terminated contracts, we said:

"We are happy to report that we will be back on better terms in Biedronka so that will help us for the volume development in 2017. Maybe not so much on the price/mix, but for sure on the volume development."

…and further elaborate on **price/mix** at the Q1 2017 conference call:

"The flat price/mix was the result of a positive mix, thanks to our premiumization efforts, counted by continued challenging pricing environment and a negative country mix."

At the Q1 2017 conference call we commented on the **Easter** impact:

"With regards to the Easter effect, on the Q1, we believe because it's a small quarter, as you know, it's 1% to 2%. But moving it forward, it will be a less impact in a much bigger quarter two."

Eastern Europe

At the Q1 2017 conference call we reiterated our view on the **Russian market** development for 2017:

"What we expect for the market in 2017, we assume minus 5% market impact from the PET restrictions. We continue to believe that consumers will be negatively impacted by the macro environment and expect for that a decline on top of the 5% from PET."

At the Q4 2016 call we elaborated on price/mix following the PET changes:

"Well, we had a small price increase in quarter four. We will have a different portfolio, of course, because the 1.5-liter plus is out. That is replaced by 1.42 liters. That SKU will have a slightly higher margin. The price per liter is lower for the PET bottle 1.5-liter plus and consequently higher for the 1.42 liters. The margin is slightly higher on the smaller bottle as well. So as a consequence of that, we should have a slightly better mix impact."

At the Q1 2017 conference call we commented on Eastern European **price/mix for the remainder of the year**:

"Please be aware that price/mix will be less pronounced in the remainder of the year as we start cycling last year's price increases and as we started the PET downsizing in the second half of last year."

Asia

At the Q1 2017 conference call, we commented on **India**:

"As a result of the so-called highway ban, which stipulates that outlets can't sell or promote products in the vicinity of 500 meters to federal highways, the beer market contracted as the outlets adjust to this change in regulation. In addition, comparables in Q1 were still impacted by the ban in Bihar which came into effect in April 2016. All in all, this meant that volume declined by almost 20% in Q1. Corrected for Bihar, volumes declined by 15% in India in Q1."

Other

At the Q14 2017 conference call, we made the following comment re. **disposals**:

"A few visible actions taken so far this year is the further streamlining and focusing of the Group by divesting Carlsberg Uzbekistan, our 23% holding in United Romanian Breweries, a 30% minority holding in the Russian malt producer, and the Nordic Getränke wholesale business in Germany."

…and further elaborated at on the **cash impact** for 2017 at the Q1 conference call:

"So, on divestments, first of all, as I said, DKK 200 million to DKK 300 million cash impact of the ones we have done so far in the year"

When asked at the Q4 2016 conference call about the impact on **minorities** in 2015 and 2016 from brand impairments in Chongqing, we answered:

"And the question on minorities, you're right that 2015 actually also as well as 2016 are impacted by impairments on brands in Chongqing [Brewery] that we own 60% and then the minorities are 40%. The impairment in 2016 was around DKK 800 million. That means 40% of that is around DKK 300 million. So that means then our normal run rate is DKK 600 million to DKK 650 million on the minorities."

At the Q2 2016 conference call we commented on **other financial costs** and **tax rate**:

"Other financial items were up compared to last year as they were impacted by currencies and a one-off charge related to the final ruling in a tax dispute we've had in Finland.

Effective tax rate was 33%, and therefore higher than we expected at the beginning of the year. The tax rate was negatively impacted by a one-off tax expense related to a lost tax case in Finland."

At the Q4 2016 conference call we commented on the **changes to our reporting**:

"We are making smaller changes to our reporting. As you can see in the appendix to the announcement, we will move the costs for our central supply chain function from the not allocated part to Western Europe. This is around DKK 500 million in 2016 and this impacts margin in the region, so Western Europe, by minus 130 basis points to 12.9% for 2016. There is, of course, no impact on the Group numbers."

Outlook

In the Q1 2017 announcement, we commented:

"We are maintaining our financial expectations for 2017:

- *Mid-single-digit percentage organic growth in operating profit.*
- *Financial leverage reduction.*

Based on the spot rates as of 2 May, we now expect a positive translation impact of around DKK 300m compared to our previous expectation of DKK 350m.

All other assumptions are unchanged."

In the Q4 2016 announcement, we commented on **other assumptions**:

"Other relevant assumptions are:

Financial expenses, excluding currency losses or gains, are expected to be DKK 1.0-1.1bn.

The tax rate is expected to be just below 30%.

Capital expenditures are expected to be approximately DKK 4bn."

At the Q1 2017 conference call we further elaborated on the impact from the **disposal of Nordic Getränke**:

"Please note that the sale of Nordic Getränke will have an impact on net revenue of approximately minus DKK 1bn, but modest impact on operating profit."

At the Q1 2017 conference call we commented on the **phasing between H1 and H2**:

"We expect to see a stronger year-on-year operating profit performance in H1 than in H2, as we will have tougher comparables in the second half of the year, especially in Eastern Europe that delivered a very strong Q3 last year."

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