

Q3 2023 AIDE MEMOIRE

A number of events in 2022 and Q3 2023 have an impact on the year-on-year comparison for Q3. 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 2023 versus the same period last year.

FACTORS IMPACTING COMPARATIVE FIGURES

Western Europe

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

“Volumes were impacted by the consumer sentiment and bad weather in early Q2...”

...and continued:

“Our mix was better than the category development observed in the markets where external data indicates that the high inflation is impacting consumer behavior, putting pressure on market volumes and in some markets also category and general mix.

At the Q2 2023 conference call we commented on the Q3 weather impact:

“With regards to July and the beginning of August, well the weather has continued to be pretty poor...”

Asia

In the Q2 2023 conference we commented on the trajectory in China:

“...what we see in the second half in China is a continuation of our growth there. We reiterate the expected revenue growth of mid-single digit to high-single digit. Over time, our market share strengthens, our big cities are developing well. Yes, we had a COVID impact in Q4, but all – that is also the smallest part of the year...”

Costs

In the Q2 2023 conference call we commented on H2 2023 costs:

“In half two, COGS are expected to continue to increase, both compared to half one and year-on-year. Even so, the group has the capacity to invest in future growth. Consequently, we will increase investment levels in key brands and capabilities.”

OUTLOOK

In the Q2 2023 announcement we stated:

On 15 August, we upgraded our earnings expectations for 2023. The upgrade was due to the continued solid business performance year to date and based on our expectations for the remainder of the year:

- Organic growth in operating profit of +4% to +7%.

Based on the spot rates at 14 August, we assume a translation impact on operating profit of around DKK - 900m for 2023.

Other relevant assumptions are:

- Financial expenses, excluding foreign exchange losses or gains, are expected to be around DKK 700m.
- Reported effective tax rate of around 21%.
- Capital expenditure at constant currencies of around DKK 5.0bn.

At the Q2 2023 conference call, we elaborated further on the 2023 outlook:

"...so a little bit of color on the earnings outlook. And as you saw, the upgrade was due to better than expected half one group performance and that we do have the most important summer months in Europe behind us, and Asian performance is continuing and you saw our cost control. And having said that, I think there are still many uncertainties out there and you mentioned what are they.

We do – Cees mentioned it before as well is we do still see high inflation in Europe, which may put consumers under further pressure for the half two. And there is, of course, still the impact from the war hanging over us. As much as the remainder of the year becomes smaller, then that's still hanging over us.

So, there are some risks still out there for half two is one answer to the half two, but it's also correct that we have some easy comps in China in H2, and the step-up in investments in Vietnam is already in last year's number. But in that context, we do need to remember that Q4 is a small quarter for China, and that is sort of when you look at the half year development very important.

A few others for the half two. COGS, as I just talked about, are expected to continue to increase, both versus half one and year-on-year. And in certain markets, we will increase investments behind brands to further accelerate premium growth. And we're also looking into increasing investments behind the capability building elements of SAIL'27. And as I said before, the risk is then hanging over this as well. We had a tough start to Q3, as weather in July in Europe, I'm sure many of you have experienced this, was pretty bad. So, those would be the sort of dampening factors on half two."

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