Q4 2020 AIDE MEMOIRE

A number of events in 2019 and 2020 have an impact on the year-on-year comparison for Q4 and full-year 2020. 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 2020 versus the same periods last year.

FACTORS IMPACTING COMPARATIVE FIGURES

Western Europe

At the Q4 2019 conference call, we elaborated on the impact of the lost CSD border trade:

"…there will be a decline of non-beer volumes due to the German/Danish border. That decline will be 5% to 10% of non-beer in Western Europe."

In the Q3 2020 announcement, we commented:

"Supported by good weather in August and September, beer volumes grew by 2%."

…and also commented on the higher level of restrictions:

"On-trade volumes declined by around 20% for the quarter. In light of the increase in COVID-19 infection rates across the region, we are currently seeing governments implementing new restrictions. Consequently, we expect the on-trade channel to face an increasing level of pressure in the coming quarters."

At the Q3 2020 conference call, we commented on price/mix in Western European:

"The price/mix of minus 4% was mainly impacted by channel mix due to the lower on-trade that continues to be impacted by the various restrictions."

Asia

At the Q3 2020 conference call, we commented on the status in Asia:

"…our business performance has varied significantly between the markets due to very different impacts of COVID-19. For the region, revenue declined organically by 1.5%."

…and continued on the Asian price/mix development:

"Price/mix was the result of a negative country mix, with China – where the price per hl is below the regional average – growing, while some markets with a price per hl above the regional average declined."

In the Q4 2019 announcement, we commented on the positive operating profit impact from a reversal of a pension provision on China:

"… the positive impact in H2 from the reversal of a pension obligation at Chongqing of DKK 162m"

At the Q3 2020 conference call we elaborated on the operating margin development in China:

"… our margin in China … in 2019 was around 20%. And that's up from let's say around 15% just a few years ago. So, a very good development up until and with 2019 in terms of margin. First half 2020, EBIT margin was well above this level."

…and continued:

"… but in China in particular, we do have this very fine balance between optimizing our margin and investing into long-term growth, and as much as we can, where it makes sense, which it didn't in the first half due to the lockdowns but as much as we can, we are right now and for the foreseeable future, investing into top-line growth in China. That will remain to be the priority for China also after 2020."

Eastern Europe

At the Q3 conference call, we made the following comment regarding the competitive situation in Russia:

"… with regards to the competition in Russia, basically the heading could be that it's still a fierce competition and we have not seen any change of that. As we said, we triggered our "Plan B" in Q1. The purpose of that was to more forcefully rebound the Golden Triangle with focus on regaining some of last year's lost market share. And by that, we would be able to run all our eight breweries and our distribution network at a reasonable capacity utilization and efficiency. As we now have regained market share, we will now rebalance a bit again towards becoming more profitable. So, focusing a bit more on the margins. But in general, to your question, the competitive heat is still on."

… and elaborated on the price/mix development in Eastern Europe:

"… a price/mix of minus 5%. This was mainly the result of higher promotional activity in Russia."

CAPITAL ALLOCATION AND M&A

At the Q3 conference we were asked about capital allocation, and answered:

"Remember the logic behind the thought of canceling the share buyback, which was that we want to keep a conservative balance sheet, which, frankly, we have and we will continue to keep. But it what also to do a few sort of M&A transactions. We have done that. We've done the Marston's deal, or expect that to complete shortly. We've done the Brooklyn deal of the brand rights. And lately, we also announced the Wernesgrüner deal in Germany."

…and continued:

"So we did the reduction or the not-initiation of the second part of the share buyback program for these reasons. We've not changed our thought process in terms of capital allocation, not at all. And that also means that share buyback is high on the agenda, and it's something we expect to come back to going

forward. We do see going forward as well share buybacks as an integrated part of our capital allocation principles.”.

OUTLOOK

On 27 October, we issued an updated 2020 outlook:

“In the light of strong performance in Q3, continued positive volume development in Russia and China at the beginning of Q4, solid execution of cost reductions and despite current uncertainty in Western Europe, we are adjusting our 2020 earnings expectations upwards. Consequently, we now expect:

• Organic operating profit decline of a mid-single-digit percentage (previously a decline of high single-digit percentage).

Based on the spot rates at 27 October, we assume a translation impact of around DKK -450m for 2020 (previously DKK -400m).

Other relevant assumptions are:

Financial expenses, excluding currency losses or gains, are expected to be around DKK 550-600m (previously around DKK 600-650m).

The reported effective tax rate is expected to be 25-26% (previously around 26%).

Capital expenditures at constant currencies, excluding the acquisition of certain brand rights, are expected to be DKK 3.5-4.0bn (previously around DKK 4bn).

The earnings expectations remain more uncertain than usual, as the development of the pandemic and related market consequences continue to be very uncertain.

At the Q3 2020 conference call, we elaborated on some of the current challenges:

“In Western Europe, new government restrictions are being imposed due to increase in infection rates, and these restrictions are particularly impacting the on-trade and in some markets, the off-trade as well. In Asia, we see continued lockdowns and restrictions in several markets, in addition to the typhoon which recently hit central Vietnam and Laos.”

In the H1 2020 announcement, we wrote:

“We expect marketing investments in H2 to increase compared with H1, partly due to postponement of activities from H1 to H2 and preparation for 2021, ensuring the long-term health of our brands.”

At the Q3 2020 conference call, we elaborated further on marketing:

“There are some elements … where we are very firm that some of these cost reductions are not sustainable. It was the right thing to do given the circumstances but we want to invest back into some of these areas. And that is particularly within marketing. So, as you saw in our first half report, we are now down to let’s say around 7% in marketing investments versus top line. We want to increase that again. So, that’s definitely not something that’s sustainable. It was and is a deliberate decision to continue with that focus. But going forward, we want to invest more and back to the level where we were before, in terms of top line investments.”

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