



**Carlsberg JUST KEEPS
GETTING
BETTER!**

IN WORKING THE BREWERY WE SHOULD BE IN CONSTANT PURSUIT OF
BETTER BEER SO THAT THE BREWERY MAY ALWAYS SET STANDARDS AND
ASSIST IN KEEPING BEER BREWING AT A HIGH AND HONOURABLE LEVEL

J.C. JACOBSEN *J. C. Jacobsen* FOUNDER

ANNUAL REPORT 2019



50TH ANNUAL GENERAL MEETING

CARLSBERG BREWERY MALAYSIA BERHAD

Live streaming at <https://tiih.online>
Thursday, 9 July 2020





Q&A SESSION

Due to time constraints during the virtual AGM session, remaining unanswered questions will be posted on our website (www.CarlsbergMalaysia.com.my) by 17 July 2020.

Similar questions will be consolidated.

Q&A FROM MSWG

1. Financial & Strategic Matters

1. Current Economic Conditions and the Impact of Covid-19

The Chairman in his address states that the Company's operations are facing tremendous uncertainties and challenges as a result of Covid-19. The Company's production, distribution, sales and exports are hardest hit under the restrictions imposed. The Company is not allowed to manufacture or distribute as the business is categorised as non-essential services and the management has activated the Group's risk management and contingency plans. *(Pgs. 30 and 31, Chairman's Address, Annual Report)*

(cont. on next slide)

Q&A FROM MSWG

- (a) In this regard, what are the company's strategies going forward and its 2020 business plans?
- (b) Post MCO, how would the new norms in the way of working and doing business affect the company's production, distribution and sales?
- (c) What are some of the contingency plans that the Company has implemented and to what extent have these plans mitigated the impact of COVID-19 on operations and financial performance of the Company?

Answer: Our SAIL'22 corporate strategy remains unchanged. Additionally, during this crisis we are guided by the Carlsberg Group's COVID-19 leadership triangle that balances between 'Situational Leadership', 'Defend Operating Profit and Cash' and 'Prepare for the Rebound'.

In anticipation of uncertainties in macroeconomics and socio-politics, we are committed to be even more agile and disciplined in implementing our SAIL'22 priorities, especially Fund the Journey initiatives, with an ever-increased focus on cost control.

(cont.)

Q&A FROM MSWG

(cont.)

Although distribution has been disrupted due to the MCO, we are glad to resume productions since CMCO commenced and have since been working hard to replenish outlets which were out of stock.

The safety and welfare of our employees remain our top priority, all of which received full salary while on leave or working from home, and we already have in place workforce segregation and enhanced sanitisation measures in line with the industry standards for health, safety, and quality assurance.

In the meantime, our business continuity plan encompasses more aggressive cost-control measures and reallocation of spending with a focus on digital campaigns, e-commerce, off-trade consumption and aid to our business partners and the communities we operate in.

Q&A FROM MSWG

(cont.)

Also in response to consumer trends in the “new normal”, we have rolled out three innovative initiatives under our Safer Together campaign specifically to aid customer business recovery – Adopt a Keg, Bring Me Home, and RM3.5 million in aid for Malaysian coffee shops.

A recovery in on-trade sales is still at an early stage. We anticipate the recovery to be slow and rate of sales to be lower over the next few months subject to lifting of social distancing restrictions.

Innovation has and will continue to be a strategic priority for our brands. We are excited to showcase what we have in store for 2020 through upcoming launches, promotions and activations.

Q&A FROM MSWG

A. Financial & Strategic Matters

2. Implementation of the Group's 7-year Corporate Strategy, SAIL'22

SAIL'22 is the Company's roadmap towards becoming a successful, professional and attractive brewer and 2019 marks the third full year of its implementation both in Malaysia and Singapore (*Pg. 32, Managing Director's Message & Management Discussion & Analysis, Annual Report*).

What are the challenges in its implementation going amidst the COVID-19 pandemic?

Q&A FROM MSWG

A. Financial & Strategic Matters

2. Implementation of the Group's 7-year Corporate Strategy, SAIL'22

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In anticipation of uncertainties in macroeconomics and socio-politics, we are committed to be even more agile and disciplined in implementing our SAIL'22 priorities, especially Fund the Journey initiatives, with an ever-increased focus on cost control.

Q&A FROM MSWG

A. Financial & Strategic Matters

3. Singapore

The EU-Singapore Free Trade Agreement was implemented on 21 November 2019. The Singapore Government had decided to reduce the duty-free allowance for alcohol, which took effect on 1 April 2019. *(Pg. 30, Chairman's Address, Annual Report)*

Are the above expected to have significant impact on the business of the Company?

Q&A FROM MSWG

A. Financial & Strategic Matters

3. Singapore

Answer: We saw no immediate impact for Q4FY'19 following the implementation in end-November 2019. We do however foresee tougher competition from imports for 2020, which will be mitigated by further investment in marketing and consumer engagement.

We thank the Singapore government for not raising excise duties, the second-highest in the world, during the Budget announcement on 18 Feb 2020.

Q&A FROM MSWG

A. Financial & Strategic Matters

4. Contraband

The Company continues to battle the contraband market through close partnership with the Confederation of Malaysia Brewers Berhad (CMBB) and the Ministry of Finance, Royal Malaysian Customs and other government agencies, with visible and commendable results. *(Pg. 30 of the Annual Report)*

(a) How severely has the revenue of the Company been affected by the contraband alcoholic beverage market?

(b) Moving forward, is the contraband market expected to grow and continue to be significant threat to the Company's business?

Q&A FROM MSWG

A. Financial & Strategic Matters

4. Contraband

Answer: The prevalence of contraband alcoholic beverages in the market represents a health risk to consumers, losses to legitimate businesses while also causing an estimated MYR 1.5 billion annual loss in taxes to the Government.

Previous estimates placed contraband beer at around 20% of the total market in Malaysia and up to 80% in Sabah and Sarawak. We are glad to say that over the past 2 to 3 years, the joint efforts between CMBB and Customs have contributed positively towards reducing this illicit sector.

Q&A FROM MSWG

B. Corporate Governance

1. Malaysian Code of Corporate Governance “Step Up” 4.3

The Company in its Corporate Governance Report has stated that it has adopted Step Up 4.3 of MCCG which requires the Board to have a 9-year tenure limit policy for its independent directors.

However, it was stated in the CG Report that upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a non-Independent Director. Otherwise, the Board must justify and seek shareholders' approval at Annual General Meeting in the event it retains the director as an Independent Director.

This is contrary to Step Up 4.3 which does not provide for any extension of tenure beyond the 9-year tenure of INEDs. As such, the Company has not applied Step Up 4.3.

Q&A FROM MSWG

B. Corporate Governance

1. Malaysian Code of Corporate Governance “Step Up” 4.3

Answer: We have described the position in our Board Charter on the tenure of independent directors on the Board which is limited to 9 years.

At present, cumulative tenure of each independent director of the Company does not exceed 9 years.

In the unlikely event that a director’s tenure exceeds 9 years, the other elements on re-designating the director as non-Independent Director and otherwise obtaining shareholders’ approval to retain as Independent Director, are in fact prescribed in the MCCG.

Q&A FROM MSWG

B. Corporate Governance

2. Malaysian Code of Corporate Governance “Step Up” 8.4

The Company has not adopted Practice 8.4 – Step Up of the Malaysian Code on Corporate Governance, which states that, to ensure an effective and independent audit committee, the audit committee should comprise solely of independent directors.

As a Large Company, does the Company have plans to adopt Step-Up Practice 8.4?

Q&A FROM MSWG

B. Corporate Governance

2. Malaysian Code of Corporate Governance “Step Up” 8.4

Answer: It is acknowledged that Carlsberg Malaysia is a Large Company and the Audit Committee consists mostly of independent directors.

The Board considers the composition of the Audit Committee as fairly reflecting an appropriate balance of independent views and oversight while leveraging on the knowledge, skills and experience of the regional Carlsberg finance director in its review of the Group’s financial, risk and audit and accounting matters.

Q&A FROM MSWG

B. Corporate Governance

3. Compliance with Chapter 15.29 Bursa Listing Requirements – Anti Corruption and Whistle Blowing

With effect from 1 June 2020, all listed companies are expected to disclose policies and procedures with regard to S17A of the Malaysian Anti-Corruption Commission Act 2009.

What are the Company's plans with regard to complying with the above-mentioned requirement?

Q&A FROM MSWG

B. Corporate Governance

3. Compliance with Chapter 15.29 Bursa Listing Requirements – Anti Corruption and Whistle Blowing

Answer: The Company adopts the Carlsberg Group Code of Ethics and Conduct and Anti-Bribery & Corruption Policy and these are accessible on our corporate website under the section Sustainability at Carlsberg.

In addition, the Company has a comprehensive whistleblowing framework and policy. The whistleblowing platform (Speak Up) is operated by an independent third party, and provides an avenue to employees, customers, suppliers, business partners and any individual to report any unethical, illegal or non-compliant practices. Reporters may raise their concerns anonymously, should they wish. The Whistleblowing Policy & Procedures are available on our corporate website.

The Company's assessment of its Anti Bribery & Corruption policies & procedures, conducted in May 2020 with the assistance of an external consultant, confirmed that it is aligned with the Adequate Procedures guidelines as promulgated by the MACC for purposes of compliance with S17A. Relevant policies & procedures are available on our corporate website.

SHAREHOLDER QUESTIONS – 1

“What effect has the Covid-19 pandemic on Carlsberg's profit margin? When do you expect Carlsberg's revenue and profit to recover to the level of 2019?”
- *W. Goon / Y.C. Ee*

Answer: While we do not comment nor provide any profit guidance, the global and local economies are already reeling from the immediate effects of Covid-19 and related lockdowns.

COVID-19 has severely impacted our operations in Malaysia and Singapore, as well as our investment in Sri Lanka. It will inevitably have an adverse impact on our business and financial performance for FY2020.

In particular, we anticipate a slow recovery in the on-trade sector due to social distancing requirements and shorter operating hours affecting consumer consumption in the coming months, with weak macroeconomic conditions prevailing for some time.

SHAREHOLDER QUESTIONS – 2

“There are calls to ban alcohol consumption in the public. Certain local authorities have also stopped issuing alcohol licenses. What is the percentage of revenue and net profit in Malaysia that are dependent on public consumption? What is the contingency plan against a worsening operating environment?”

- Y.C. Ee

Answer: The Group operates in full compliance of the law whilst taking local sensitivities into consideration. We are also guided by our global policies and code of ethics and conduct, embodied by our Live by Our Compass principles and our Together Towards ZERO Irresponsible Drinking sustainability goal that dictates our role as a responsible brewer.

This combination of self-regulation and adherence to local laws goes above and beyond current regulations and is inherent in our marketing activities, among others. We advocate responsible consumption through efforts such as our annual #CelebrateResponsibly campaign and strict rules against promotion to Muslims and individuals under the legal purchasing age of 21 years.

The on-trade sector is a big part of our business. We have already seen a partial reopening during RMCO and we anticipate the trend to continue. In the meantime, we have increased support for our off-trade and e-commerce channels.

SHAREHOLDER QUESTIONS – 3

“Regarding the company Resolution No 9, allot shares pursuant to sections 75 and 76 of the companies act 2016, is it fair to existing shareholders if it is not a right issue? If Carlsberg Brewery Malaysia Berhad allot new shares not through right issue, will it offer to CARLSBERG BREWERIES A/S?”

- K.P. Ong

Answer: In line with the section 75 and 76 of the Companies Act, the authority will provide flexibility to the Company for any possible fundraising activities, including but not limited to further placing of shares, for the purpose of funding future investment, working capital and/or acquisitions.

This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. If there is any urgent fundraising required during this period, the Company need not hold a separate EGM, hence saving cost and time.

It should be noted that no new shares in the Company were issued pursuant to the last mandate.

SHAREHOLDER QUESTIONS – 4

“Will Carlsberg Brewery Malaysia publish all Q&A from shareholders & MSWG on company website at least for 3 months? How much is the total cost to conduct this fully virtual CARLSBG 50th AGM?”

- K.P. Ong

Answer: The MD’s presentation along with this accompanying Q&A will be published on our website at carlsbergmalaysia.com.my/who-we-are/corporate-governance/annual-general-meeting.

All questions and answers will be posted on our website except for those we are not at liberty to disclose due to sensitivities to competition law and Bursa requirements.

The decision to conduct the 50th AGM entirely through live streaming is not driven by cost but to uphold the health and safety of our shareholders, directors and employees in the face of the Covid-19 pandemic. However, virtual meetings are more cost-effective while allowing higher participation by shareholders.

SHAREHOLDER QUESTIONS – 5

“Hi, would like to ask the management regarding dividend payout policy during and after Covid-19. Also what strategies being taken by the company to cope with Covid-19 pandemic on lower sales.”

- A.W.C. Chiong

“Will Carlsberg Malaysia consider dividend policy targeting a 100% payout for the FYE 2020?”

- K.P. Ong / Y.C. Ee

Answer: At present, our dividend policy has not changed, but given the unprecedented impact and levels of uncertainty and volatility from the COVID-19 pandemic, the Board has decided to suspend the quarterly dividend payments for the financial year ending 31 December 2020 to ensure a more prudent focus on preserving cash and liquidity, and with the intent to strike a balance between the long-term health of the organisation and dividends to shareholders.

SHAREHOLDER QUESTIONS

(cont.)

Our dividend policy of target a 100% payout of the Group's consolidated net profit, subject to business prospects, capital requirements, expansion strategy and other factors relevant by the Board, remained unchanged.

We have shared our strategic overview in response to Covid-19 in the answers to the questions from MSWG.

SHAREHOLDER QUESTIONS – 6

“The virtual AGM is convenient for shareholders living outside of Klang Valley or have limited time. Not only does it encourage shareholder participation but it is also environmentally friendly. Can the management provide the option of online participation in future AGMs?” - *Y.C. Ee*

Answer: The Board will certainly take this into consideration for upcoming AGMs while balancing the best interests of shareholders.

SHAREHOLDER QUESTIONS - 7

“In light of the coronavirus pandemic and the economic downturn, will board members take a cut in their annual directors' remuneration?”

- B. Lopez / K.P. Ong

Answer: Currently, we believe board remuneration is lower when benchmarked against comparable MNC and FMCG peers. Notwithstanding, the board directors have graciously committed to a 20% cut in their fees for this year as a gesture of contribution towards the Group's efforts to manage the challenges faced in this crisis.

SHAREHOLDER QUESTIONS – 8

“Pls give us some e-vouchers for attending this meeting. TQ”

*- S.T.M. Lye / B. Lopez / S.Y. Cheong / C.T. Lau /
C.M. Teo / K.S. Sze / F.S. Leong*

Answer: As a token of appreciation to our shareholders attending today’s virtual meeting, we will be crediting as an “e-door gift” 5 complimentary beers to you for a one-off redemption via our **Adopt a Keg** initiative, which is meant to help our F&B customers come back stronger after the MCO. To enjoy this, we will be contacting you via your registered phone number from tomorrow onwards.

We thank you for your loyalty and shared vision for business sustainability.

SHAREHOLDER QUESTIONS – 9

“Compare to pre-COVID time, what is the current situation of trade receivables collection? How bad could it get in the coming quarters? What are the mitigations?”

- Y.C. Ee

Answer: We have built strong relationships with our business partners over the years. We have worked out a staggered payment plan with some of our partners impacted the most to reduce their financial burden.

We do not foresee any material bad debts issues. Our cash flow is healthy and coming in in-line with our post-MCO plan.

In recognising that extraordinary times require extraordinary efforts, we have rolled out three innovative initiatives under our Safer Together campaign specifically to aid customer business recovery – Adopt a Keg, Bring Me Home, and RM3.5 million in aid for Malaysian coffee shops.

SHAREHOLDER QUESTIONS - 10

“Can Carlsberg Brewery Malaysia Berhad tell us in detail for Sales and distribution expenses? As it is one of the significant expenses for the Company. Can the board directors elaborate more, for every 1 month stop production (due to MCO), how much impact to our financial bottom line in figure?”

- K.P. Ong

Answer: Sales and distribution expenses (including A&P) represent 12.6% of revenues for FY2019.

As reported in our Q1FY'20 financial results announcement, the MCO will have an adverse impact on our financial performance. Further details will be shared at the next quarterly financial results announcement for Q2FY'20.

SHAREHOLDER QUESTIONS - 11

“Moving forward, what is your strategy to increase revenue / improve growth for the future in line with the current economic situation?”

- N. Jasyanthri

Answer: Our long-term strategy remains unchanged. Additionally, Carlsberg Malaysia’s Covid-19 recovery strategy is guided by three key facets – situational leadership, defending our EBIT and cashflow, and preparation for a market rebound. This ‘leadership triangle’ covers people, financial and operational management in all aspects of our business.

Our business continuity plan encompasses more aggressive cost-control measures and reallocation of spending with a focus on digital campaigns, e-commerce, off-trade consumption and aid to our business partners and the communities we operate in.

SHAREHOLDER QUESTIONS – 12

“Given the recent campaign against drunk driving in Malaysia, does the group see potential in the zero-alcohol beer market? Potentially how big is the Malaysian zero-alcohol beer market? What is the group strategy in this area?”

- Y.C. Ee

Answer: Alcohol-free brews (AFBs) are a fast-growing category within the global Carlsberg Group which already offer many quality products to those who choose not to consume alcoholic drinks as part of a lifestyle choice.

Globally, it is our target to provide quality alcohol-free brews as part of our portfolio by 2022. Our subsidiary Carlsberg Singapore has just launched two variants of alcohol-free beers under the Carlsberg brand. In Malaysia, we are reviewing the commercial and production feasibility of this category taking into consideration the recent government gazette on the labelling of alcohol-free brews as “dealcoholised” beverages.

SHAREHOLDER QUESTIONS - 13

“What is the plan for cost reduction? Is the workforce rationalization one of the options being considered?”

- Y.C. Ee

Answer: A continuous focus on cost optimisation is part of our strategic lever of Fund the Journey under our SAIL'22 strategy.

Additionally, because of Covid-19, it was inevitable that some of our part-time sales promoters at coffeeshops, restaurants and food courts were made redundant during the MCO. Affected sales promoters were given paid notice and goodwill aid. The part-time sales promoters we had to let go have the financial impact equivalent to 200 full-time employees.

We will continue to review additional cost-optimisation initiatives.

SHAREHOLDER QUESTIONS – 14

“Has Carlsberg considered the online channel for consumers? Perhaps it may even help to reduce sale of contraband products to some degree.”

- K.Y. Loke

Answer: While we do have an official shop on Shopee, we also believe in supporting local businesses such as e-retailers during the MCO period and beyond. We have partnered with Potboy, Happy Fresh and others where consumers can order our beer to have it delivered to their doorstep.

We are proud to have recently signed on with Pandamart, GrabMart (via myNEWS.com), MyGroser, PrestoMall, Whisky.my, Hungry app, AEON Online and Jaya Grocer Online. We look forward to announcing more e-commerce partnerships soon.

SHAREHOLDER QUESTIONS – 15

“I miss the Carlsberg Factory Visits. Any more visits this year after 31 Aug 2020?”

- *S.T.M. Lye*

Answer: As a responsible brewer, we have adopted necessary health & safety measures to safeguard our brewery operations and protect the wellbeing of our people and stakeholders, such as limiting person-to-person contact, segregation of our workforce with work-cluster rotations, mandatory body temperature checks upon entering the brewery, increased disinfection of common areas and facilities, and postponement of major consumer activations – all in support of Ministry of Health (MoH) guidelines regarding public gatherings and social distancing.

As such, no external visitors including brewery visits can be allowed into the Shah Alam brewery until further notice.

THANK

YOU

