



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://tjih.online>
Thursday, 9 July 2020





Q&A SESSION

The following are the answers to unanswered questions during the virtual AGM on 9 July 2020, which could not be covered in full due to time constraints.

Similar questions are consolidated.

SHAREHOLDER QUESTIONS – 16

“How many percent of the inventories had been written off due to the MCO? What is the additional cost the company incurred to ensure the quality of beer is not compromised during this movement control order had lasted more than 3 months?” – T.H. Lee

Answer: At the start of MCO, we had very fresh stocks which did not cause any significant aging stock situation during the lockdown. During the MCO and CMCO, we helped outlets with stock clearance and rotation (for outlets permitted to operate). We also initiated on-trade promotions and initiatives to help drive stock movement in outlets.

We also keep stock levels low at distributors’ warehouses; our policy is to keep stocks as fresh as possible for consumers. In fact, this contributed to some areas running out of stock during the MCO.

Even during the MCO, quality assurance of our brews remains our top priority. The company also did not incur any significant additional costs during suspension of brewing as the brewery continued to be maintained at “active idle”.

As such, we do not expect any material write-offs of our inventories due to the abovementioned initiatives.

SHAREHOLDER QUESTIONS – 17

“Does the company intent to sell and deliver directly to the end user to weather current situations?”

– S.L. Kok

Answer:

The company is exploring opportunities to deliver our products to our consumers, either via our existing route-to-market or via e-commerce.

We have increased our e-commerce investments and partnerships especially under current social distancing measures and changing consumer habits.

That said, we have fruitful partnerships with our distributors and customers, both on-trade and off-trade, which we plan to continue with as these are equally important to our shared success and operational landscape.

SHAREHOLDER QUESTIONS – 18

“Has the cost of brewing increase or decrease due to pandemic as import/export or demand/supplies may be affected? Does the company intent to negotiate with the Customs or LHDN to request for waiver or reduce in taxes given that these uncertain times?” – E.J.S. Teoh / S.K. Lim

Answer: Due to Covid-19, we are seeing a reduction in our sales volume, hence a lower production volume, and this will increase our brewing cost on a per unit basis due to economies of scale. Raw material prices have been stable, but we will continue to monitor prices on top of our current hedging strategies.

Through the Confederation of Malaysian Brewers Berhad (“CMBB”), we are in constant dialogue with the authorities on regulatory and tax matters but are not in a position to discuss or disclose any details on this matter due to the confidentiality of these discussions.

SHAREHOLDER QUESTIONS – 19

“Are you compelled to do CSR and how much must you allocate for this? Does it affect the finances? Who to contact for CSR events for event organising or sponsorship enquiries?” – M.Y. Leong

Answer: Together with the Carlsberg Group, we have an overarching sustainability framework called Together Towards ZERO which focuses on the environment (ZERO Carbon Footprint & ZERO Water Waste) and people (ZERO Irresponsible Drinking & ZERO Accidents Culture).

We have flagship CSR campaigns which we implement annually such as #CelebrateResponsibly for responsible drinking and the Top Ten Charity campaign for vernacular education.

With Covid-19, extraordinary times call for extraordinary measures: we launched Safer Together to support and aid our customers, consumers, and communities we operate in.

(cont.)

SHAREHOLDER QUESTIONS – 19

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(cont.)

Our investments in CSR are not obligatory nor mandatory (i.e. we are not compelled) but is our own initiative as a responsible brewer. Our annual investments in our CSR activities budget are at a sustainable percentage of our annual revenue, but this year we are reallocating more due to Covid-19 under the Safer Together campaign.

We find the partnership approach to be the most sustainable and inclusive form of CSR efforts and welcome proposals from NGOs and other organisations who would like to do the same.

Please contact Pearl Lai, our Corporate Affairs Director, at pearl.lai@carlsberg.asia with proposals.

SHAREHOLDER QUESTIONS – 20

“Referring to EU-Singapore Free Trade: a) What is the current import duty for beers into Singapore? b) What is the current excise duty for beers in Singapore? c) Do our company have factory producing beers in Singapore? d) Can management share the comparison of the tax scheme in Singapore, whether our product is of advantage or disadvantage in this Free Trade Agreements.”
– S.Y Chua

“What is the expected impact of the EU-Singapore Free Trade Agreement on Carlsberg's FY2020 revenue?”
– Rusmin

Answer: The Singapore government levies a 7% GST on all imported goods while beers and ciders are subject to an excise duty of SGD60 per litre of alcohol. There are no tax differences in Singapore between imports from Malaysia vs. EU post the FTA.

We do not have manufacturing facilities in Singapore. Our portfolio of products in Singapore are mainly imported from Malaysia with a few products coming from the affiliated breweries of Carlsberg Group as well as third parties.

(cont.)

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(cont.)

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

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

SHAREHOLDER QUESTIONS – 21

“How has MCO affected the company? It was noted that pub/bar are still not allowed to run their business how much has this affect the company in terms of revenue and profits? What will be the company strategy given such time?” – E.J.S Teoh

“What are the earnings forecast for 2020 in the light of the MCO situation?” – C.S. Cheong

“What will be the impact of MCO on company’s revenue?” – H.K. Jun / K.P. Ong

“What is the quantum drop of EPS the Company foresee in FY 21?” – K.W. Hong

“What is the Group strategy moving forward because this pandemic?” – H.I Tan / T.N. Lim / M.Y. Leong / C.J.C. Liew

“What is your projected growth for the next financial year? What will you do to ensure there will be continuous financial growth in the future?” - M.Y. Leong

SHAREHOLDER QUESTIONS – 21

Answer: As reported in our Q1FY'20 financial results announcement, the MCO will have an adverse impact on consumption, hence our financial performance as well. Although production and distribution has been disrupted due to the MCO, we are glad that production has resumed since CMCO.

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

In anticipation of uncertainties in macroeconomic and socio-politic environments, 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 management.

Additionally, during this crisis we are also 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'.

(cont.)

SHAREHOLDER QUESTIONS – 21

(cont.)

In the meantime, our business continuity plan encompasses more aggressive cost-optimisation 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.

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.

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.

While we do not provide profit guidance nor future outlook, further details pertaining to the financial impact of MCO/circuit breaker will be shared at our next quarterly financial results announcement.

SHAREHOLDER QUESTIONS - 22

“What is the company’s plan if the country goes under MCO again?”

– T.H. Lee

Answer: We have captured the learnings from the MCO in our risk management and contingency planning processes.

We are strengthening our off-trade position through further investments in e-commerce and consumer promotions as well as proper planning (production and distribution) for off-trade SKUs.

Our on-trade outlets have innovated with takeaway/delivery food and beer packages, and we are supporting these outlets with initiatives such as Bring Me Home where we provide them with branded takeaway bottles.

SHAREHOLDER QUESTIONS – 23

“Why is there no dividend given this term even with the mentioned good financial year?”

- M.Y. Leong

As the company has decided to suspend the dividend payment for this financial year, how does the company recognize the support of the long-term shareholders?”

- H.K Jun

Hi, would like to inquire regarding the latest dividend policy for FY2020.

- A.W.C Chiong / A. Venkatachalam

Answer: For the financial year ended 31 December 2019, the Company has declared and proposed a total dividend payout of 100 sen per share.

For the financial year ending 31 December 2020, 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 current quarterly dividend payments for the financial year ending 31 December 2020 to ensure a more prudent focus on preserving cash and liquidity for the remainder of the financial year, and with the intent to strike a balance between the long-term health of the organisation and interim dividend payments to shareholders.

(Similar answers have been provided to pre-submitted Shareholder Question 5 during the 50th AGM)

SHAREHOLDER QUESTIONS – 24

“How does the May 2020 sales compare to May 2019? How much lower is it in percentage terms?” – M. Steven Patrick

Answer: We regret that we are unable to disclose our May 2019 performance because we plan to announce our Q2FY20 financial results and performance in August 2020.

Furthermore, it is not our practice to disclose our monthly performance.

SHAREHOLDER QUESTIONS - 25

“Can the board of directors publish all the questions and answers from shareholders & MSWG to the company corporate website?” – K.P Ong

**“What is the rush, please answer all shareholder questions. Thank you.”
– S.Y Chua**

Answer: Yes, we already published all Q&A raised in the Company’s virtual AGM on our corporate website after the virtual AGM on the same day (9 July 2020), together with the MD’s presentation. You can find them uploaded at carlsbergmalaysia.com.my/who-we-are/corporate-governance/annual-general-meeting.

As this was a virtual AGM and conducted at the office premises of Tricor Investor & Issuing House Services with a pre-agreed broadcast timing, we apologise for having to strictly adhere to the timing of the pre-set agenda.

(Similar answers have been provided to pre-submitted Shareholder Question 4 during the 50th AGM)

SHAREHOLDER QUESTIONS - 26

“My good friend who is a loyal long-term shareholder of Carlsberg and had just arrived home from overseas is very disappointed as he can't participate in the Virtual AGM although he is a legitimate shareholder. This is because he did not inform the registrar at least 48 hrs before the meeting starts. Should conduct physical meeting in future whereby as shareholder, he can just walk-in to attend this once a year meeting/affair without the need to inform/advise well in advance, Pls have your comment!”

– T.V. Lee

“Will the BoD consider both physical n virtual in future.”

– L.Y Chan

Answer: The decision to conduct the 50th AGM entirely through live streaming was to ensure we were able and allowed to convene the required meeting and at the same time to uphold the health and safety of our shareholders, directors and employees in the face of the Covid-19 pandemic. Unfortunately, in live-streaming sessions conducted by a third party, there are rules that need to be followed in order to ensure a smooth execution of the live meeting and prior registration is one of these requirements.

We recognise that virtual meetings are more cost-effective while allowing higher participation by shareholders, while being very different from physical meetings. The Board will certainly consider and look into the feasibility of having both physical and virtual participation for upcoming AGMs while balancing the best interests of shareholders.

(Similar answers have been provided to pre-submitted Shareholder Questions 4 and 6 during the 50th AGM)

SHAREHOLDER QUESTIONS – 27

“Will there be any investment towards industry 4.0 or AR technology to help Carlsberg in achieving economic of scales in order to be the spearhead in this industry?”

– C.J.C Liew / T.H. Lee

Answer: We do have plans to review further investment into capability and capacity building via product innovation and enhancement of our production facilities.

Where IR 4.0 technology such as interconnectivity, automation, machine learning and real-time data are concerned, we will explore and review cost-effective implementation where relevant to our business operations.

SHAREHOLDER QUESTIONS - 28

“Given such time, does the company implement any drastic cost cutting measures such as laying off or cut in salary?” – E.J.S. Teoh

Answer: While Covid-19’s impact means we will have to take a hard look at all aspects of our operations and where cost savings can be found, people will remain at the lowest in that list of cost-saving measures. Salaries for existing full-time employees are paid on time and in full throughout the MCO period despite production closure and working from home but certain HR initiatives are being reviewed and put on hold in the interim .

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.

Our board directors have also committed to a 20% cut in their fees for this year as a gesture of their contribution towards the Group’s efforts to manage the challenges faced by the Company in this crisis.

(Similar answers have been provided to pre-submitted Shareholder Questions 7 and 13 during the 50th AGM)

SHAREHOLDER QUESTIONS - 29

“Recently there has been a video circulating about fake beers in the market, specifically for your competitor Heineken. As we know, counterfeits have made a huge impact on tobacco. What is the impact of counterfeits on Carlsberg?”

– K.Y. Loke

Answer: The Company is not aware of any counterfeit Carlsberg Malaysia products in the market.

Meanwhile, the prevalence of contraband alcoholic beverages in the market represents losses to legitimate businesses while also causing an estimated MYR 1.5 billion annual loss in taxes to the Government. Previous estimates by the Confederation of Malaysian Brewers Malaysia 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 contraband sector.

(Similar answers have been provided to MSWG Question A.4. during the 50th AGM)

SHAREHOLDER QUESTIONS – 30

“Beers has not grow as much as spirits globally. In some countries, beers even lose market their market share to spirit. In Malaysia how does the management plan to tackle such issue?”
– K.J. Yap

“There is report saying that beers consumption per capita in Malaysia has been in downtrend over the past 10 years. Can management share what is the trend of domestic consumption volume for our products over the past years?”
- S.Y. Chua

Answer: Globally, beer consumption was estimated to have positive growth as of 2019. Among Asian countries, beer consumption in Malaysia per capita is below the average. However, among eligible drinkers only (of legal purchasing age and non-Muslim), Malaysian consumption ranks above average. As a category, beer continues to register volume growth and has expanded to various categories of wheat beer, cider, craft beers etc.*

While Covid-19 will have adverse impact on total alcoholic beverage consumption, we remain positive on market recovery, hoping there'll be no second wave, thus driving continued growth and value of the beer category next year.

**Based on external data sources (GlobalData and Euromonitor)*

SHAREHOLDER QUESTIONS – 31

“I have been to Changkat Bukit Bintang, Kuala Lumpur. HEIM has total control of that place. What measures has the company taken to give a challenge to HEIM and reducing their market share in Changkat Bukit Bintang. Changkat Bukit Bintang has an international consumer base. Has the company given up the challenge to Heineken(HEIM)? How about giving out free eVouchers/beers for an outlet in Changkat Bukit Bintang? I think Carlsberg has only one outlet there selling.” – K.L Lai

Answer: Our products are represented in Changkat Bukit Bintang. Approximately 30% of the bars, pubs and bistros in Changkat Bukit Bintang have sales contracts with Carlsberg for draught beer. Nevertheless, most of the remaining outlets carrying competitor brands also sell bottled beer from our portfolio especially Corona, Asahi Super Dry, and Probably the Best Beer in the World – Carlsberg Danish Pilsner.

We constantly remain in touch with key customers to review any opportunity to work with outlets there and grow our brands, subject of course to commercial viability.

SHAREHOLDER QUESTIONS – 32

“What are the sales contribution and profit contribution to group in terms of percentage for our on-trade, off-trade and e-commerce segment for year 2019? What is the contribution for 2020 H1?”

– S.Y. Chua

“What is the market share of the company in Malaysia/Singapore?”

– L.P. Ong

“In percentage terms, how much does the on-trade sector contribute to profits?”

– M. Steven Patrick

“What is the percentage of revenue breakdown by product (e.g. premium brews etc.)?” – Rusmin

Answer: It is not the Group’s practice to disclose commercially-sensitive information due to competition and regulatory concerns.

SHAREHOLDER QUESTIONS – 33

“Is there any increase in auditor fee during this bad economy time?”

– T.H. Lee

Answer: The audit approach and scope for the financial year ending 31 December 2020 will be discussed with the Audit Committee (“AC”) in due course and the proposed auditors’ fees will only be approved by the AC then.

Carlsberg Group will also be assisting the Company’s management in negotiating said fees on a Global basis.

SHAREHOLDER QUESTIONS – 34

“Follow-up on question on the tenure policy for independent directors. We would like to highlight that to apply this practice, there should not be any provision to allow extension beyond 9 years with the shareholders' approval. With this provision, the Company should be regarded as depart from this practice.”

– L.B. Hoo

Answer: 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 is to exceed 9 years, the elements on re-designating the director as non-Independent Director will apply, or otherwise obtaining shareholders' approval to retain as Independent Director is required as prescribed in the MCGG.

That said, the Board takes note of such concerns and will table this at the next Board Meeting. *(Similar answers have been provided to MSWG Question B.1. during the 50th AGM)*

SHAREHOLDER QUESTIONS – 35

“The selling price of low alcohol or zero alcohol beverage is still very high. I will not consume it because of pricing. It is nearly same price as those with alcohol. If it possible to market those low alcohol or zero alcohol at a much lower price?”

– K.L Lai

Answer: In Malaysia, we are reviewing the commercial viability and production feasibility of this category taking into consideration the recent government gazette on the labelling of alcohol-free brews as “dealcoholised” beverages. This decision may be significant to the pricing of any future launches of alcohol-free brews.

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 at an 80% price index compared to the mainstream Carlsberg Danish Pilsner.

In Malaysia, we have zero-alcohol and low-alcohol options within our current brand portfolio represented by Nutrimalt and Jolly Shandy, respectively.

SHAREHOLDER QUESTIONS – 36

“Do Carlsberg plan to take advantage of Indonesia population and tourist to increase investment in associate Lion Brewery?” – F.X. Lee

Answer: Our associate Lion Brewery (Ceylon) PLC operates in Sri Lanka (not Indonesia) and serves its domestic market predominantly. We hold a 25% stake in that associate company.

Carlsberg Malaysia currently has no subsidiaries, associates, nor business operations in Indonesia.

SHAREHOLDER QUESTIONS – 37

“As this is the first ever virtual AGM, everything is a new normal. Most shareholders are seniors and are not tech savvy, it takes great effort and time to go and learn in order that they can still give their support to the company. For going to extra length, please do consider giving e vouchers to the shareholders who have attended the AGM virtually.”

– P.H. Goh / B.S. Lim / C.T. Lau / S. Mono Kari / C.H. Tan / F.S. Leong / E.F. Lee / A.M. Chan / C.M. Teo / S.L. Kok / P.T. Teh / A.C. Chea / P.K Lum / L.M. Chow / S.L. Choo / C.S. Lee / S.P. Poravi / S.K. Tan / W. Goon / S. Tan / N.F. Chan / C.P. Loo / J.T. Lim / C.K. Lim / L.Y. Chan / H.I Tan

Answer: As a token of appreciation to our shareholders who attended the 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 attendees via SMS on their registered phone number on Friday 10 July 2020.

We thank you, shareholders, for your support and shared vision for our long-term business sustainability. *(Similar answers have been provided to pre-submitted Shareholder Question 8 during the 50th AGM)*

SHAREHOLDER QUESTIONS – 38

“Is our company buying office paper from Indonesia pulp and paper manufacturers with a long history of deforestation as reported by WWF and Greenpeace?”
– Y.L. Leong

Answer: Paper used in our office stationery is sourced from a reputable brand currently and commonly available in the market. It is manufactured by a company which has pledged a zero-deforestation commitment through its Forest Conservation Policy.

THANK



YOU