

CARLSBERG BREWERY MALAYSIA BERHAD



51st ANNUAL GENERAL MEETING

14 April 2021



**SUSTAINING
TODAY
FOR A BETTER
TOMORROW**



Questions from

MSWG

MINORITY SHAREHOLDERS WATCH GROUP

Q&A FROM MSWG - 1

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Operational & Financial Matters

1. One-off restructuring costs of RM9.9 million was incurred to streamline cash flow and it readjusted the Group's cost base. (Pg. 29, Managing Director's Message & Management Discussion & Analysis, Annual Report)

(a) How much cost has been reduced as a result of this restructuring in FY2020 compared to previous financial year?

(b) What are the costs that the Group has successfully reduced in FY2020?

(cont. on next slide)

Q&A FROM MSWG - 1

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(a) How much cost has been reduced as a result of this restructuring in FY2020 compared to previous financial year?

Answer: On an annualised basis, the cost avoidance from the restructuring is approximately RM27mil.

Q&A FROM MSWG - 1

(b) What are the costs that the Group has successfully reduced in FY2020?

Answer: In FY2020, our Sales, Distribution and Administrative expenses show a decline of RM64mil vs 2019, net of the restructuring costs of RM9.9mil. The costs reduction is driven by our relentless focus on Fund the Journey has been one of our key pillars to drive efficiency that flows to the bottom line. This strategic priority has been put in place even before Covid-19. We reprioritise costs, processes and structures – for efficiency, cost savings, and reinvestment for future growth in the new normal.

In FY2020, marketing spend was repurposed to reflect MCO lockdowns and changing consumer behaviour. Of course, there is also cost avoidance last year such as reduction in travel and meeting costs. Regretfully, part of the cost rationalisation also involved our salesforce and part-time promoters in on-trade to streamline the organisation and recover from the pandemic.

The company has made hard decisions in resetting our business for a post-Covid environment, taking into account consumer trends and channel shifts, but with no compromise on the quality and innovation of our products and campaigns.

2. The Company has launched two new alcohol-free variants (Carlsberg Alcohol Free Pilsner and Carlsberg Alcohol Free Wheat) and Somersby Hard Seltzer in Singapore (Page 28 of AR2020).

(a) What is the market response towards these products in Singapore? What was their contribution to the Group's revenue in FY2020 and what is its potential in FY2021?

Answer: Carlsberg Alcohol Free Pilsner and Carlsberg Alcohol Free Wheat launched in July last year widened up Carlsberg's portfolio offerings for consumers who seek non-alcohol alternatives as part of their lifestyle. Our entry response has been encouraging riding on the growth trend of non-alcoholic beverage category in Singapore where we are currently at 25% market share. It is rather early to tell its contribution and potential to the Group's revenue.

Somersby Hard Seltzer was launched in September 2020 and received very good reviews from consumers and customers. Based on initial reports, Somersby Hard Seltzer is leading its category in Singapore at 14% market share and contributing to Somersby's total brand growth in the cider category.

2. The Company has launched two new alcohol-free variants (Carlsberg Alcohol Free Pilsner and Carlsberg Alcohol Free Wheat) and Somersby Hard Seltzer in Singapore (Page 28 of AR2020).

(b) Are there any plans to launch them in Malaysia?

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 alcohol as part of a lifestyle choice.

Globally, our target is to provide quality alcohol-free brews as part of our portfolio by 2022. 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.

Q&A FROM MSWG - 2

(c) Since innovation will continue to be a strategic priority for your brands, what are your upcoming product launches for 2021?

Answer: Malaysia and Singapore launched Somersby Watermelon, adding to our diverse cider portfolio. The response has been positive, and we are glad that Somersby continues to be the leading brand in the cider category in both markets.

In Carlsberg's pursuit of better, Malaysia and Singapore have also introduced a new look with the same great taste across all Carlsberg Smooth Draught bottles and cans. Carlsberg Smooth Draught bottles also feature the innovative Fresh Cap to keep bottled beers fresher for longer.

Early this year, Singapore launched Tuborg Strong – a strong lager beer, which comes with excellent credentials and success from Asia regions.

In April, Malaysia launched Connor's Stout Porter in cans which is a true innovation for our premium draught stout. The momentum has been great as we continue to monitor its progress.

Stay tuned as there will be more exciting updates in the months to come!

Q&A FROM MSWG - 3

3. Dividend payout ratio was 75.4% of the Group's net profit for FY2020 which was lower than the past four financial years which has been consistently above 100%.

In view of the Company's decision to take a prudent approach to conserve cash (Page 32 of AR2020), what is the outlook for dividends in 2021?

Answer: Our dividend policy of 100% payout with quarterly dividend payment remain unchanged. However, in FY2020 we suspended the dividend policy due to the uncertainty caused by Covid-19. At the moment, the uncertainties still persist. We remain hopeful that 2021 will be a year of recovery, accelerated by the vaccination roll out by the governments in Malaysia and Singapore. As of April 2021, the government has just lifted some of the restrictions such as dining (with compliance to SOP) that will augur well for our business. Nevertheless, the entertainment outlets and inter-state and international travel remain closed, which will continue to have a dent in our business. We will continue to prioritise business sustainability, striking a balance of preserving cash and liquidity whilst still delivering shareholder values.

The Board will take earnest consideration of above factors in deciding the dividend payout for 2021.

Q&A FROM MSWG - 4

4. The Group has recognised in its financial statements an allowance for inventories written-down amounting to RM2.56 million (2019: RM925,000) and write-off of finished goods amounted to RM5.98 million (2019: RM1.54 million) (Note 15, Page 166 of AR2020).

(a) What were the reasons for the allowance for inventories written-down amounting to RM2.56 million (2019: RM925,000)?

Answer: Provision for inventories written down mainly related to packaging material (RM1.2mil) which was bought in early 2020 in preparation for the 2020 football championship promotion campaign in Q2 2020. However due to Covid-19 outbreak, the campaign was regrettably cancelled which led to the write-off provision of packaging materials (cartons, labels and cans).

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Q&A FROM MSWG - 4

(b) What were the reasons for writing-off inventories of RM5.98m (2019: RM1.54 million)?

Answer: The impact of MCO which restricted opening of pubs and entertainment outlets and decline in on-trade consumption resulted in slow moving of stocks. The write-off was mainly due to beers close to best before date (RM4.2mil) that were returned.

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Q&A FROM MSWG - 4

(c) With the economic uncertainties resulting from the on-going pandemic which may impact the saleability of inventories, are further write downs of inventories (similar to the amounts in FY2020) expected for FY2021?

Answer: We aim to manage our inventories more effectively in collaboration with our distributors and retailers. At this juncture, our inventory levels are healthy, and we hope to prevent any significant write-offs.



Q&A FROM SHAREHOLDERS

Unanswered questions will be posted on our website (www.CarlsbergMalaysia.com.my) at the Company's discretion.

Q&A FROM SHAREHOLDERS - 1

1. Will Carlsberg send gifts (in e-voucher form) to shareholders who attends AGM as a token of appreciation to reward shareholders and boost sales of Carlsberg's products?

C.M. Teo, 12 March / L.M. Chew, 12 March / Y.M. Loo, 12 March / W.K. Kok, 12 March / L.T.M. Stephen, 12 March / P.S. Tai, 12 March / C.H. Tan, 12 March / Y.Y. Hoh, 12 March / K.J. Lim, 30 March / C.H. Au Yong, 31 March / C.L. Lim, 31 March / B.T. Lim, 7 April

Answer: Similar to other Public Listed Companies, we decided to not distribute any door gift to our respected Shareholders for this year's AGM due to the complexity in implementation at the last AGM. We thank you for your loyalty and kind understanding.

Q&A FROM SHAREHOLDERS - 2

2. The theme for 2020 AR is sustaining today for a better tomorrow. In this regards, I would like to ask the Board if CBMB is still committed to its current dividend policy of 100% of net profit or will the company be conserving cash and reducing the DPR?

C.M. Teo, 12 March

What is the dividend policies for FY2021?

B.J. Chan, 18 March

Can Carlsberg sustain payment of dividends in 2022 as it did in 2021?

Benedict Lopez, 22 March

Any bonus issue or increased in dividends including frequency to be declared?

C.L. Lim, 31 March

Answer: Due to prevailing market uncertainty, we are unable to commit nor comment on future dividends payout proposal at this stage. The board will take into consideration factors such as business performance, capital requirement and expansion strategies in deciding dividend payment in 2021 in order to strike a balance to preserve cash and liquidity and delivering value to our shareholders.

Q&A FROM SHAREHOLDERS - 3

3. Bursa Malaysia is encouraging all public listed companies to adopt good ESG practices in their business operations. What is our Company's annual budget in terms of percentage of total expenditure in pursuing the ESG agenda?

K.J. Lim, 30 March

Answer: Our commitment to ESG best-practice is embodied in our Purpose and our sustainability ambitions under 'Together Towards ZERO', and as such is already deeply embedded in our daily operations and annual expenditure in our constant pursuit of better; for instance, in our ongoing efforts to improve energy/water usage efficiencies and carbon footprint from brewing and packaging, our commitments to sound corporate governance, responsible marketing and consumption initiatives while maintaining and growing value for our stakeholders and communities, and more. As such, it is difficult to identify a discrete amount solely committed to ESG from our annual budgets.

As part of our extraordinary aid to customers, consumers and communities in light of the COVID-19 pandemic, the Company had set aside RM1.5 mil to our Safer Schools initiatives, RM1.8 mil to aid the recovery of coffee shop operators, and RM2 mil through our 'Cheers for Tomorrow' food and education aid to help societies in need.

Q&A FROM SHAREHOLDERS - 4

4. What is your expected growth in net profit for the coming years in order to justify the Directors fees?

C.L. Lim, 31 March

Answer: We do not provide any guidance on the outlook for the financial performance of the company.

For the FY2020, the board of directors have taken a 20% cut in the fee as a gesture of solidarity to help the company navigate through the crisis. Since 2019, there has been no increase in the directors' fees. The directors' fees are benchmarked to market by HR and the Remuneration Committee from time to time to ensure our compensation remains competitive and relevant.

Q&A FROM SHAREHOLDERS - 5

5. What will be the Revenue and Profit After Tax outlook for the year 2021?

N.S. Ding, 31 March

Answer: We do not provide any profit guidance on the outlook of the Company's financial performance.

Q&A FROM SHAREHOLDERS – 6

6. Any brewery tour for shareholders?

T.H. Lee, 13 March

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, external visitors including brewery visits have been suspended until further notice. However, we do look forward to hosting our shareholders again as soon as circumstances allow.

Q&A FROM SHAREHOLDERS - 7

7. What is the contingency plan taking into account risk of admission of malay muslim favor rules led by the government which could lead to negative FDI & business may suffer fatal blow. Does the company intend to shift business operations to neighbouring countries such as Vietnam?

C.M. Lee, 25 March

Answer: This year marks the 52nd year of Carlsberg's operations here in Malaysia. Over the last five decades, Carlsberg Malaysia has evolved from a brewer to a corporate citizen that constantly brews for a better today and tomorrow. As a Public Listed Company, we are here to stay as Malaysia is one of our Group's top three performing countries in Asia. As outlined in the enabler of SAIL'22 strategy – 'Defend our License to Operate', we are in active dialogue and engagement with key stakeholders to not only safeguard our business but also to expand new ventures in different channels and categories.

We have faith in Malaysia and trust the Malaysian Government will do its utmost best to support foreign direct investment company like Carlsberg. And we certainly do not have plans now, or in the near future, for relocation to neighbouring countries.

Q&A FROM SHAREHOLDERS - 8

8. What is the utilisation of the company's factory during the Covid-19?

T.H. Lee, 13 March

Answer: The Company's revenue saw a decline of approximately -20% in 2020 vs 2019, and this is consistent in our utilisation.

Q&A FROM SHAREHOLDERS - 9

9. Any retrenchment exercise imposed by the company to the CBMB during pandemic period?

T.H. Lee, 13 March

Answer: Same as per Question 1b from MSWG.

Q&A FROM SHAREHOLDERS - 10

10. This has been asked in last year's AGM but is the company looking to build its own e-commerce presence whether thru online shopping portals such as Shopee or Lazada or building its own platform?

C.M. Teo, 12 March

Answer: We have official stores on Shopee and Lazada to address the latest consumer trend of them shifting towards e-commerce to purchase products at their convenience. We also offer exclusive promotions to consumers on these platforms to create excitement across various campaigns.

We are also supporting local e-retailers such as Potboy, Pandamart, GrabMart (via myNEWS.com), MyGroser, PrestoMall, Whisky.my, Hungry app, and Jaya Grocer Online. As a result, our e-commerce volume has witnessed an exponential increase.

We will keep exploring any opportunity to broaden our reach via e-commerce.

Q&A FROM SHAREHOLDERS - 11

11. How does the company intend to boost sales in view of tighter sales alcohol guidelines in the country and as pubs remain closed due to COVID-19?

C.M. Lee, 25 March

Answer: In line with our TTZ pillar of ZERO Irresponsible Drinking, we are supportive towards the government's regulations to encourage consumers to not drink and drive, and #CELEBRATEResponsibly.

We are glad that our off-trade customers remain strong. With the gradual lifting of MCO restrictions in on-trade, we hope to see positive movement to our products in F&B restaurants and dining outlets.

Q&A FROM SHAREHOLDERS - 12

12. Any new products will be released in year 2021?

B.J. Chan, 18 March

Answer: Same as per Question 2c from MSWG.

Q&A FROM SHAREHOLDERS - 13

13. What is the continuous plan to increase Carlsberg's market share?

B.J. Chan, 18 March

Answer: This is guided by our SAIL'22 strategy to strengthen our core and position for growth in order to deliver value for shareholders. Some of these efforts include to 'Grow In Mainstream' with Carlsberg Danish Pilsner and Carlsberg Smooth Draught; and to 'Go Big In Premium' with our winning premium brands such as 1664 Blanc, Connor's, Somersby, Asahi and Brooklyn.

We also look into expanding our distribution and focus on engaging consumers through our promotions and via digital platforms.

THANK

YOU

