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Press Statement 24/2020
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Revenue drops 23.1% and net profit down 45.3% for 1HFY20 due to severe impact of COVID-19

Q2FY20 revenue fell 40.2% and net profit declined by 83.7% due to MCO in Malaysia and CB in Singapore.

SHAH ALAM, 14 August 2020 – Carlsberg Brewery Malaysia Berhad (the Group) reported a substantial decline in both revenue and net profit for the period ended 30 June 2020 (1HFY20) that were attributed primarily to the critical measures undertaken by the governments and peoples in both Malaysia and Singapore to counter the COVID-19 pandemic. Overall Group revenue dropped 23.1% to RM877.1 million whilst Group net profit was down 45.3% to RM83.6 million for 1HFY20 versus 1HFY19. The adverse impacts from the COVID-19 were partially mitigated by tighter cost controls under the Fund the Journey programme, one of the Group's strategic priorities.

The weak results were severely impacted by production suspension and limitations to sales and distribution amid COVID-19. The Group's production was suspended for seven weeks since the Movement Control Order (MCO) commenced on 18 March in Malaysia. The pandemic had significantly affected sales and distribution during the Conditional and Recovery MCO in Malaysia and the Circuit Breaker (CB) in Singapore. In addition, in the financial period, the Group also recognised a one-off RM6.4 million settlement with the Royal Malaysian Customs (RMC) with regards to the bill of demand on excise duties issued by the Selangor State Director in 2014.

For the quarter ended 30 June 2020 (Q2FY20), the Group posted a lower revenue by 40.2% to RM287.3 million mainly due to the significantly lower sales and the absence of consumer-facing promotions and activities to drive consumption during the partial lockdowns in both Malaysia and Singapore. In Malaysia, brewery operations were suspended until 3 May; sales resumed slowly in May.

In the quarter under review, the Group's net profit declined by 83.7% to RM10.6 million, as a result of lower sales in both markets, the RM6.4 million settlement with RMC in Malaysia and a reduced share of profits by RM4.2 million from its associate company, Lion Brewery (Ceylon) PLC (LBCP) due to lockdown restrictions imposed by the Sri Lankan government. After adjusting for the RMC settlement, the Group's net profit fell 76.3% to RM15.5 million for Q2FY20 vs Q2FY19.

In Malaysia, revenue for 1HFY20 declined by 22.4% to RM653.4 million and profit from operations reduced by 42.4% to RM86.2 million. On the comparable basis of Q2FY20 vs Q2FY19, revenue dropped 38.9% to RM208.1 million and profit from operation slipped 79.6% to RM12.0

million. Lower sales and the one-off RMC settlement were partially offset by lower sales, marketing and operating expenses.

Singapore revenue dropped by 25.0% to RM223.7 million and profit from operations declined by 57.2% to RM19.3 million for 1HFY20 as compared to the same period last year. For the quarter, revenue dropped by 43.5% to RM79.2 million whilst profit from operations took a hit of 93.7% to RM1.5 million for Q2FY20 against the same quarter last year.

Group earnings per share for the quarter was 3.48 sen, sharply lower by 83.7% compared with 21.34 sen for the corresponding quarter last year.

Amongst other initiatives, the Group is focusing on cash flow and the optimisation of its trade working capital to ensure sufficient liquidity in the months ahead. Under such difficult circumstances, the Board decided to suspend the quarterly dividend payments for the financial year ending 31 December 2020 as a more prudent focus on preserving cash and liquidity, and with the intent to strike a balance between the long-term health of the Group and returns to shareholders.

Managing Director Stefano Clini commented, "The MCO and CB had an adverse impact on consumption, hence a weaker performance as reported. We anticipate business recovery to be slow over the next few months because of the persevering effects of COVID-19 and the measures necessary to control them. As a consequence, consumer sentiment will remain depressed, particularly in the on-trade sector due to reduced capacities and shorter operating hours, social distancing, health and safety restrictions, as well as various financial and operating challenges that many F&B businesses face in order to stay afloat."

"As a group, we have been and will continue to be even more disciplined in implementing our 'Fund the Journey' initiatives and to optimise our costs aggressively, reallocate our investments on e-commerce and off-trade, and extend various support to our business partners. In addition, we will review our business to ensure that our structures, processes and cost base are suited to a post-COVID-19 reality. With these strategies in execution, we are hopeful that the Group will be able to sustain an acceptable performance despite this unprecedented crisis until such time that the COVID-19 pandemic is overcome, and businesses can operate fully," Clini explained.

"In these difficult times, we are also conscious of our wider social role. In support to the communities we operate in, we rolled out three innovative initiatives under our Safer Together campaign specifically to facilitate business recovery – Adopt a Keg, Bring Me Home, and RM3.5 million in aid for Malaysian coffee shops. In Malaysia, we also donated over 3,000 handheld infrared thermometers to almost 1,500 schools and provided disinfection services to over 500 schools situated within COVID-19 red zones during the MCO," he added.

Clini further elaborated that "Innovation has and will continue to be a strategic priority and agility is key in adapting to a highly volatile and uncertain operating environment. To us, it's about 'prepare for the worst, hope for the best'. We have learnt from our experiences during the MCO and CB and have improved our business contingency plans accordingly. We are confident that together with our employees, customers and distributors, we can navigate through the storms ahead and continue to offer *Probably the Best* drinking experience to our consumers. Take for example the newly launched, limited-edition Carlsberg Liverpool Champions packaging promotion that has painted the town red, bringing consumers together virtually to celebrate despite this unprecedented time."

"On the regulations front, we welcome the government call to amend the Road Transport Act 1947 to curb driving under the influence of alcohol and drugs. In view of increased challenges ahead, we appeal to the Malaysian government to support the F&B and hospitality industry by facilitating the approval for liquor license renewals and new liquor license applications to stimulate homegrown F&B businesses," Clini added.

The Group also urges the Malaysian government not to impose any hike in excise duties at the upcoming National Budget 2021 announcement in November as further increases will cause a worsening influx of contraband products and loss of government tax revenue.

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About Carlsberg Malaysia

Carlsberg Brewery Malaysia Berhad was incorporated in December 1969. We are a dynamic brewer with operations in Malaysia and Singapore, with stakes in a brewery in Sri Lanka. We also have a regional presence via exports to Thailand, Taiwan, Hong Kong and Laos.

Our international portfolio of brands features Probably The Best Beer In The World – Carlsberg, Probably The Smoothest Beer In The World – Carlsberg Smooth Draught and Probably The Best Strong Beer – Carlsberg Special Brew. This Carlsberg trio is complemented by international premium brews including France's premium wheat beer 1664 Blanc, Japan's No.1 premium beer Asahi Super Dry, European cider Somersby, British-inspired Connor's Stout Porter draught, US award-winning craft beer Brooklyn Brewery as well as Corona Extra, the imported premium Mexican beer brand. Our local brands include SKOL, Royal Stout, Jolly Shandy and Nutrimalt.