



Questions from

MSWG

**MINORITY
SHAREHOLDERS
WATCH GROUP**

Q&A FROM MSWG - 1

Operational & Financial Matters

1. While last year in general was a difficult one as consumers pulled back on discretionary spending and interest rate hikes weighed on consumer sentiment and the economic outlook. *(Page 33 of the Integrated Annual Report 2023 (“IAR2023”))*

How does the Company plan to address shifting consumer sentiments and maintain market competitiveness, especially in the premium category?

Answer:

Consumers are become ever discerning and we have been constantly exploring new products to complement our portfolio of brews. This year, we have kicked off the Chinese New Year celebrations with Carlsberg's artist edition CNY packaging and launched a new alcohol-free CNY edition Somersby Mandarin Orange 0.0, both of which received good reviews and sales from our consumers.

We are thrilled to have begun local production and distribution of Sapporo beer since January. In April, we are also excited to unveil our newest lager beer – 1664 Brut, available in 325 ml pints and 320 ml cans nationwide. That is not all and do stay tuned as there is another new product in the brewing for the second half of this year.

Q&A FROM MSWG - 2

Operational & Financial Matters

2. Meanwhile, under the banner of Our Execution Excellence, our brewery transformation project was a mammoth task and standout initiative which saw the installation of an RM108 million state-of-the-art integrated and automated bottle filling line. *(Page 34 of the IAR2023)*
- a) What percentage of the Company's manufacturing operations has been automated following the installation of the automated bottle-filling line?
 - b) Are there any further plans for automation in the near future? If so, which specific processes are being considered for automation?

Answer:

Our production facilities are highly automated. As part of our brewery transformation, we have installed a new bottle filling line which is set to improve our production capabilities with greater ability to handle packaging complexities, deliver higher efficiencies and lower sustainability footprints. In addition to the RM108 million CapEx on the abovementioned, our transformation journey continues with another RM92 million allocated for a new canning line and filtration system for the second half of this year, aimed at delivering greater production capabilities.

Q&A FROM MSWG - 3

Operational & Financial Matters

3. In terms of Our Execution Excellence, we will be advancing the next phases of our brewery transformation to future-proof product and packaging innovations, with resources set aside to invest in a brand-new canning line and upgrade filtration capabilities. *(Page 37 of the IAR2023)*

Please elaborate on the innovation pipeline for premium brands such as 1664, Connor's Stout Porter, and Somersby, particularly regarding new variants and market expansion plans.

Answer:

In addition to the recently launched locally brewed Sapporo Premium Beer, effective January 2024, we are thrilled to unveil our newest lager beer – 1664 Brut, available in 325 ml pints and 320 ml cans nationwide. Another new product is brewing for the second half of this year.

Q&A FROM MSWG - 4

Operational & Financial Matters

4. Throughout the year, Carlsberg brands successfully navigated the beer category's evolution by elevating festive celebrations like CNY and the Harvest Festival. Our campaigns significantly enhanced the Carlsberg brand's perception as contemporary, trendy and innovative.

Celebrating our strong affiliation with football, Carlsberg extended its sponsorship of the Liverpool FC (LFC) for another ten years.

SKOL's bold look and same great taste was complemented by high-impact merchandising, digital and print media campaigns, creating a significant buzz in both the Malaysian and Singaporean markets. *(Page 51 of the IAR2023)*

Please provide updates on the effectiveness of recent marketing campaigns, sponsorships, and activations in strengthening brand positioning and driving consumer loyalty.

Q&A FROM MSWG – 4

Operational & Financial Matters

Answer:

Consumers are always seeking experiential engagement as it fosters a deeper connection with brands and enhances their overall experience. To continue keeping our brands top of mind and improving our brand health, we believe that experiential activations have been pivotal in strengthening brand positioning and driving consumer loyalty.

At the 14th edition Putra Brand Awards 2023, we have earned four accolades – Platinum Award for our flagship brand Carlsberg for the third consecutive year, 1664 Blanc won Silver, while Somersby Cider and Connor’s Stout Porter each won a Bronze Award under the Beverage - Alcoholic category.

These achievements reaffirm our position as the preferred choice among consumers, showcasing the enduring trust and loyalty our brands enjoy.

Q&A FROM MSWG - 5

Sustainability Matters

5. Our measurement of water recovery and reuse is focused solely on the recovery of groundwater. The decline observed in 2023 is attributed to new regulations which limit the daily duration of groundwater extraction. Consequently, a reduced extraction rate directly led to diminished recovery levels. *(Page 80 of the IAR2023)*

What assessments has the Company conducted regarding the potential impact on the aquifer, including any concerns related to depletion and long-term sustainability of this resource?

Q&A FROM MSWG - 5

Sustainability Matters

Answer:

In line with our commitment to ZERO Water Waste, we focus our efforts on using less water more efficiently, reducing wastages and effluents. We optimise our water management by reducing water withdrawal, consumption and discharge through on-going improvements to water recycling, recovery, reuse, and initiatives to treat water discharge.

Below are assessments we have conducted to mitigate potential impact on the aquifer, in accordance with local regulatory requirements:

1. Our tube well water samples are collected on an annual basis and sent to accredited external laboratories for comprehensive analysis.
2. Results of external laboratories are submitted to the Selangor Water Management Authority for license renewal.
3. Specifications such as permissible volume of water extraction are adhered to monthly and monitored regularly.
4. We also engaged an independent contractor to conduct a water level assessment to ensure sustainable extraction.

QUESTIONS PRE-SUBMITTED BY SHAREHOLDERS

Due to time constraints, unanswered questions will be posted on our website

<https://ir.carlsbergmalaysia.com.my/en/investor-relations/company-announcements/annual-general-meeting/> at the Company's discretion.



Q&A FROM SHAREHOLDERS - 1

Chairman of the agm, I suggest to have hybrid agm. as I miss the physical meeting and love to have it. love you.

- Ooi Cheng Kooi

Please continue to offer the option to attend AGM remotely

- Ee Yih Chin

Answer: Thank you for your suggestion. We wish to highlight that a virtual AGM offers several advantages. It is time efficient and more inclusive for shareholders outside Klang Valley. To note, this is in line with market practice as most PLCs are still hosting virtual AGMs this year.

We, nonetheless, have plans to invite shareholders to our upgraded brewery tour on **12 June, 18 July, 15 Aug and 12 Sept**. Please scan the QR code to register.



Q&A FROM SHAREHOLDERS - 2

As a long-term customer and shareholders, I would like to request Carlsberg worker T-shirt as purpose to daily wear. It is because I love the company so much and I will wear for daily life. Thanks. - Ho Chun Kit

Please give us a door gift and please organise factory tour. Thank you. - Tan Wee Kuang, Loo Yeo Ming, Lim Chew Lin, Te Seng Whatt @ Tay Seng Whatt, Yong Yang Har, Tee Tzien Woei, Tee Tzien Yung, Adrian Tay Kim Ming, Goh Wee Wee, Tee Kim Guan, Tee Kim Hong, Warren Tay Kim Leng, Kuah Chin Seng

Answer: Thank you for your love towards the company and for your interest in the company t-shirts. We encourage you to join our upcoming events where you could stand a chance to win our collab merch t-shirts or even purchase them! Follow us on our brands' Facebook!



The Board is pleased to inform that we will be distributing ONE (1) Sapporo Premium Beer 4x320ml pack and ONE (1) Somersby Apple 0.0 4x320ml pack as door gifts to our Shareholders or proxies who attend the AGM. We thank you for your loyalty and support in Carlsberg Malaysia.

We have plans to invite shareholders to our upgraded brewery tour on 12 June, 18 July, 15 Aug and 12 Sept. Please scan the QR code to register.



Q&A FROM SHAREHOLDERS - 3

Please let shareholders have the reported analysis on the states rules by the Islamic politic party how their polity affect our business? - *Ooi Cheng Kooi*

What mitigation plans are in place to manage the escalating political risk in Malaysia? - *Lum Wai San*

Answer: As a Group, we maintain apolitical stance and adhere to our policy of refraining from discussing political matters. While we appreciate your interest, we seek your understanding on our position.

Q&A FROM SHAREHOLDERS - 4

Does management foresee business growth in 2024, and what are the uncertainties this year?

- Lum Wai San

Answer: While we do not comment nor provide forecast on business growth, acknowledging the challenges ahead, we approach 2024 with a cautious outlook, anticipating continued inflationary pressures, high interest rates impacting consumer spending, and currency fluctuations. Despite these headwinds, we remain cautiously optimistic, and will focus on Accelerate SAIL.

We will remain vigilant on cost management and cost optimization opportunities in the supply chain, allowing us to accelerate the reinvestments into our brands to sustain growth and deliver sustainable value for our shareholders.

While inflationary pressures still remain, we are encouraged that Malaysia's central bank projects a higher GDP growth forecast at 4%-5% in 2024 (versus 2023:3.7%), while Singapore's Ministry of Trade & Industry has forecasted a 1%-3% GDP growth (versus 2023:1.1%).

Refer to **Q&A FROM MSWG – 1**.

Q&A FROM SHAREHOLDERS - 5

Any new products will be launched in incoming FY2025?

- Ooi Cheng Kooi

Answer: Something's Brewing! While it is too soon to talk about FY2025, let us take a look at what we have in store for you this year namely local production and distribution of Sapporo beer since January, launched our newest lager beer - 1664 Brut with another new product variant in the second half of this year.

Q&A FROM SHAREHOLDERS - 6

If I am not mistaken, there is a large capex planned for bottling line facility. How will this investment affect the bottom line? - Lum Wai San

In 2022, the Group replaced the bottling line. In 2024, it spent another RM92m for a new canning line and filtration system. - Ee Yih Chin

- a) Why heavy CAPEX was only needed in recent years, but not prior years? The CAPEX was not spread out over the years.
- b) What are the future upgrades after 2024?
- c) What is the expected annual CAPEX level in the next few years?

Q&A FROM SHAREHOLDERS - 6

Answer: As mentioned earlier in Q&A FROM MSWG 2, our production facilities are highly automated. As part of our brewery transformation, we have installed a new bottle filling line which is set to improve our production capabilities with greater ability to handle packaging complexities, deliver higher efficiencies and lower sustainability footprints. In addition to the RM108 million CapEx on the abovementioned, our transformation journey continues with another RM92 million allocated for a new canning line and filtration system for the second half of this year, aimed at delivering greater production capabilities.

The timing of capital investment is carefully planned to ensure that we balance the return on investment, the risk of business interruption from the aging machines, cost savings and environmental considerations. As part of this, the Group embarked on brewery transformation as described above. We are, however, unable to share the future annual CapEx in the next few years.

The depreciation resulting from the CapEx investment will impact the bottom line. Nevertheless, our target is to offset this impact through increased efficiency and savings in other areas of the cost of goods.

Q&A FROM SHAREHOLDERS - 7

The dividend payout has declined to 80% to 90% range in recent years. Any plan to increase the payout after this year CAPEX investment is over? What is the current dividend policy?

- Ee Yih Chin

Answer: We are committed to creating shareholder value for all of you dear shareholders, which includes dividend payout. Apart from dividend payout, the management believes that cash should be put to good use to create sustainable value via investments into innovation and brewery transformation.

For the year of 2023, our dividend payout ratio was 87% of the Group's FY23 net profit.

Q&A FROM SHAREHOLDERS - 8

How much the percentage of contribution of Sapporo Premium Beer in Q1'24 revenue?

- Chan Boon Jieh

Maybank analyst wrote “the cessation of Asahi beer manufacturing and distribution beyond 2023 will negatively impact group net profit by MYR30m p.a. (c.9% of FY22 net profit)”

- Ee Yih Chin

- a) How much A&P spending for Sapporo in 2024?
- b) Based on the experience with Asahi, with the front loaded A&P spending, how long does it take for Sapporo to become profitable?
- c) When can Sapporo sales reach optimal level?

With the end of ASAHI partnership and the introduction of Sapporo beer, I have 2 questions

- Teo Cher Ming

1. Market acceptance of Sapporo beer
2. When does the company expect the revenue generated by Sapporo can fill the gap from end of Asahi partnership

Answer: We are thrilled to share that we have begun the local production and distribution of Sapporo beer this year, and we have also successfully listed the products in all our outlets in Malaysia. Regrettably, we are unable to disclose the breakdown of revenue and A&P sending as well as sales and profit forecasts of any our brands.

Nevertheless, as part of our premiumisation strategy, we will continue to invest behind Sapporo to drive sales. We see great potential in Sapporo in complementing our premium portfolio.

Q&A FROM SHAREHOLDERS - 9

Based on past experience, to what extent that major sports events such as World Cup, Euro Cup, Olympics contributing to annual revenue? Will it contribute up to mid single digit revenue? - Ee Yih Chin

Answer: We are unable to track the direct impact of sporting events on beer consumption. Nevertheless, we want to continue celebrating #BestWithCarlsberg moments with our consumers, including football moments.

We are committed to making football moments the best they can be for every fan and we invite all the football fans to have the best drinking experience, all in the name of football! Beginning this month until end of May, do enjoy a Carlsberg and stand a chance to win a Carlsberg Football staycation worth RM25,000 with three of your mates.

That aside, Carlsberg and Liverpool FC have extended their existing long-term partnership for another 10 years, making football moments even more memorable. Stay tuned for more exciting football moments!

Q&A FROM SHAREHOLDERS - 10

Equity analysts often mention positive effects of tourist arrivals to beer consumption. However, in last year AGM the management mentioned the contribution is relatively small. Assuming Malaysian tourist arrival number recovers to pre-pandemic level, would they as a group contribute to at least mid single digit of Malaysian revenue? How about the tourist contribution to Singapore revenue?

- Ee Yih Chin

In recent years, the segment profit margin (= segment profit/ revenue from external customer) of Singapore is lagging behind Malaysia. What are the reasons?

Answer: We are not able to track the direct impact of tourism on our beer consumption. Based on previous trends, we can infer that increasing tourism will have a positive uptick to the F&B Industry and this will positively impact the consumption of our products. Similarly, the trend is also observed in Singapore.

The size of our businesses i.e. channel mix between the On-Trade and Off-Trade differ between Malaysia and Singapore. Additionally, Singapore operates as a trading company, whereas in Malaysia, we have a brewery. These are the three main reasons that influence margins. Please note that our operations in Singapore are profitable.

Q&A FROM SHAREHOLDERS - 11

The EU-Singapore Free Trade Agreement has been implemented for a few years. What are the impacts to the Singapore market competitive environment? Does the Group lose market share and/or experience margin pressure since the Agreement? *- Ee Yih Chin*

Answer: The EU-Singapore Free Trade Agreement has certainly led to an increase in parallel imports over the last few years, making Singapore an even more competitive market.

With increased marketing investment supporting our brands, we believe that our consumers will continue to choose and stay loyal to our products that offer experiential engagements and rewarding campaigns. These will elevate our products offering and help us maintain our brand's position as consumers' preferred choice.

Q&A FROM SHAREHOLDERS - 12

News reported that the company raised price of its products, per the annual report raw material and packaging cost is 7.9% vs 8.3% of revenue in 2022, and marketing cost just tick up slightly by 0.1% comparing 2022 and 2023. Raising price is always sensitive, thus would like the company to share its thinking behind these price increases

- Teo Cher Ming

How is the latest price increase affecting the volume and profitability for current financial year, in light of weak consumer sentiment?

- Kang Boon Beng

Answer: The price adjustments are aimed at mitigating the impact of escalating operating costs, which result from higher material prices, increased logistic costs, and other inflationary increases in costs, including labour and utilities.

The Group also remains cautious of the prevailing uncertainty in the economic landscape, encompassing high interest rates, continuing inflationary pressures and currency fluctuations along with the impact of sales and services tax (SST), that may pose obstacles to current economic growth and consumer sentiments.

Nevertheless, we are mindful that taking a price adjustment under the current tough operating environment is challenging for all parties, hence, we have worked to absorb the higher input costs last year and delayed the price adjustment to this year.

Q&A FROM SHAREHOLDERS - 13

What is the business continuity plan to ensure no disruption in supply from its Glenmarie plant in light of increased sensitivity among the muslim community? - Kang Boon Beng

Answer: With over 50 years of operations out of our Shah Alam brewery in Malaysia, we have been actively collaborating with our key stakeholders, while respecting local cultural sensitivities. The company, guided by our purpose of *Brewing for A Better Today and Tomorrow*, remains focused on safeguarding our license to operate by adhering to relevant policies and guidelines in ensuring business continuity.

Q&A FROM SHAREHOLDERS - 14

Despite improved profitability for last 2 years, the share price is going down south with PE is trailing < 18, against other established FMCG peers with PE > 25 or > 30. This may be a reflection of the outlook. Can the management comment on this and what are possible steps to take to improve on this (like up dividend payout ratio > 90%)?

- Kang Boon Beng

While recognising that management cannot directly influence market-driven share prices, could you provide insights into Carlsberg Malaysia's initiatives aimed at reinforcing its business fundamentals? Despite management's demonstrated commitment to dividend generosity and growth, the persistently disappointing share price indicates a lack of investor confidence. What specific measures is the company currently undertaking to enhance its profile and address this concern?

- Sakthy Thiruvengadam
A/L Bhatmalai

Answer: Share price can be influenced by many factors, including external factors outside a company's control. We are committed to creating sustainable shareholder's value, with a dividend payout ratio was 87% of the Group's FY23 net profit.

As mentioned earlier, we are confident that our Accelerate SAIL strategic priorities will enable the company to drive growth.