

CARLSBERG BREWERY MALAYSIA BERHAD

Carlsberg
Malaysia

53rd ANNUAL GENERAL MEETING



19 April 2023



Questions from

MSWG

**MINORITY
SHAREHOLDERS
WATCH GROUP**

Q&A FROM MSWG - 1

Operational & Financial Matters

1. Revenue from Malaysia operations increased by 43.0% to RM1.7 billion, mainly driven by higher sales and price adjustments. While revenue from Singapore operations grew by 21.2% to RM679.9 million and profit from operations increased by 54.9% to RM89.9 million (*page 61 of Integrated Annual Report 2022 (IAR 2022)*).

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Q&A FROM MSWG – 1.a

Operational & Financial Matters

- a) What were the average price adjustments (in percentage terms) across the Group's products in Malaysia and Singapore, and was revenue growth in FY2022 attributable more to sales volume or price increases?

Answer:

We are unable to disclose the quantum of the price adjustment. Our revenue growth in FY2022 is driven by few factors such as recovery from the Covid-19 lockdown and the 11 weeks brewery suspension in 2022. Price adjustment, revenue management and premiumisation also contributed to the top line growth

Q&A FROM MSWG – 1.b

Operational & Financial Matters

b) Which brands and products generated the most sales for the Group in FY2022 and which saw the highest growth?

Answer:

Carlsberg, our brand in the mainstream segments remains as our biggest contributor and saw 29% growth in volume. We are also seeing encouraging growth in our premium segments, which grew by 32% behind Blanc, Connors, Asahi. Our Alcohol-Free Brew (AFB) grew by 177%, coming in from low base contributed by the launched Somersby 0.0 in May 2022.

Q&A FROM MSWG - 2

Operational & Financial Matters

2. Both Malaysia and Singapore are expected to record more moderate growth rates in 2023 as inflation persists amid escalating commodity prices (*page 42 of IAR 2022*).

- a) Is the Company still looking to make further (upward) price adjustments to mitigate the impact of higher raw material and packaging costs?
- b) In view of the rising inflation that impact on consumer purchasing power and consumption habits, can the Group pass on cost increases to customers to preserve its margin?

Answer:

We have increased our Average Selling Price last year to reduce the impact of the rising cost. We are unable to disclose any potential price increase for future. However, any increase if needed will balance between market demand, competitiveness and protecting margin.

Q&A FROM MSWG - 3

Operational & Financial Matters

3. The Group has 3 brands of alcohol-free brew (AFB) - Carlsberg Alcohol Free Pilsner, Carlsberg Alcohol Free Wheat and Somersby Apple 0.0. Somersby brand faced challenges in 2022 which recorded a slower rate of growth due to a decline in the entire cider category (*page 59 & 60 of IAR 2022*).

Has the AFB portfolio been profitable since its launch in 2020? What is the Group's value proposition in this segment given that it is a competitive segment with other brewers going for the same health-conscious consumers?

Answer:

The AFB segment recorded 177% growth in FY22, coming from a lower base against FY 21. The growth was accelerated by the launch of Somersby Apple 0 0 in Malaysia market. As the AFB category is relatively new, the volume is still small. It is our commitment to promote responsible drinking, to provide our consumers with an alternative beverage and offer a growing range of AFBs to our customers. We are not able to disclose the profitability of the AFB segment.

Q&A FROM MSWG - 4

Operational & Financial Matters

4. The prevalence of illicit beer in Malaysia remains a challenge as it is estimated to make up about 60% of beer consumption in Sabah and Sarawak, and 20% in Peninsular Malaysia. Based on industry estimates, the illicit market grew by about 5% year-on-year since the pandemic began due to the rampant online sales of illicit alcohol. This poses risk of losing revenue to the Group if there is a large amount of illicit beer present in the market *(page 44 & 117 of IAR 2022)*.

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Q&A FROM MSWG – 4.a

Operational & Financial Matters

- a) Given that the illicit beer market is still big and grew around 5% year-on-year, is the Company, or through industry organisations, in active discussions/dialogues with the Government agencies to address this issue?

Answer:

The government established a Multi-Agency Task Force (MATF) led by the Finance Minister around three years ago to address the issue of illicit activities. The MATF comprises Customs, Police, Ministry of Health, Ministry of Domestic Trade and Consumer Affairs, and Maritime Police. We, as a founding member of the Confederation of Malaysian Brewers Berhad, are part of the MATF committee and often engage with key stakeholders to facilitate and support authorities' efforts on enforcement.

Q&A FROM MSWG – 4.b

Operational & Financial Matters

- b) What are the additional steps that the Government can take through its enforcement agencies to reduce the impact of the illicit market going forward?

Answer:

We commend the good efforts of the enforcement agencies in curbing contraband. We are pleased to learn of the government's commitment to reducing tax leakages resulting from smuggling syndicates through intensive enforcement efforts, and the ongoing collaborative efforts between government enforcement agencies and the industry as announced in the last Budget 2023 announcement. We look forward to effective cooperation going forward.

Q&A FROM MSWG - 5

Sustainability Matters

5. The Company adopts the Bursa Malaysia's Sustainability Reporting Guide (third Edition) and guided by the United Nations Sustainable Development Goals (UN SDGs), UN Global Compact Index, Task Force on Climate-Related Financial Disclosures (TCFD) and Global Reporting Initiative (GRI) Standards for its Sustainability Reporting. Sustainability data contained in the Company's Integrated Annual Report 2022 was gathered through engagement with suppliers, agency partners and other stakeholders as well as using its online sustainability reporting system – Enablon - which enable Together Towards Zero and Beyond (TTZAB) target and function owners to capture the Group's sustainability data and results *(page 2 & 63 of IAR 2022)*.

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Q&A FROM MSWG - 5

Sustainability Matters

Does the Board intend to engage external experts to carry out assurance checks on Carlsberg group's ESG performance data? If so, by when?

Answer:

As part of our three-year integrated reporting journey, the most recent report marks the second year we publish an Integrated Report. This year, together with an external consultant, we had conducted a materiality assessment amongst all our key stakeholders in order to identify 27 material matters for the Company.

It is our plan to carry out assurance on our ESG practices and performance data as we have set in place data governance, data collection processes and data verification procedures between our Malaysia and Singapore markets with our headquarters in Denmark.

In line with Bursa Malaysia's Sustainability Reporting Guide 3rd edition, we intend to undertake a review of the key ESG performance data by our Internal Audit function, as outlined in our Sustainability Statement. To note, our ESG performance data are already audited by external auditor, PwC, who has been appointed by Carlsberg Group (Global).

QUESTIONS PRE-SUBMITTED BY SHAREHOLDERS

Due to time constraints, unanswered questions will be posted on our website (www.carlsbergmalaysia.com.my/investor-relations/company-announcements/annual-general-meeting) at the Company's discretion.



Q&A FROM SHAREHOLDERS - 1

Why you still have virtual meeting despite the country is moving toward post covid situation?
I suggest that the company to host the meeting on hybrid mode instead of fully virtual

Lee Teck Hong/ Ooi Cheng Kooi

We have not been meeting the Board of directors for over 3 years. Now that the pandemic is over, why is the company not reverting to a physical AGM. For your information it is thru' such physical AGM that we can meet the directors personally to exchange views on an informal basis, something we really treasure

Tham Mun Meng

Answer: Thank you for your feedback and suggestion. We wish to highlight that virtual meeting offers several advantages i.e. 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 **22 June, 13 July** and **17 Aug**. Please scan the QR code to register.

Q&A FROM SHAREHOLDERS - 2

Please give us a door gift and please organise factory tour. Thank you.

Stephen Lye Tuck Meng / Wong Lean Huat / Koh Win Keong / Tan Chai Heng / Tai Phoo Siew @ Thay Phoo Siew / Tan Sian Hoo / Ding Nik Siong / Ronald Danker / Ong Kok Pak / Chan Ying Siew / Tee Tzien Yung / Te Seng Whatt @ Tay Seng Whatt / Adrian Tay Kim Ming / Warren Tay Kim Leng / Teh Bee Leh

Answer: The Board is pleased to inform that we will be distributing a set of 1664 artist edition cans and Connor's Stout Porter's limited-edition stainless steel bottles 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 **22 June**, **13 July** and **17 Aug**. Please scan the QR code to register.



Q&A FROM SHAREHOLDERS - 3

How does Carlsberg see the challenges in 2023 in the context of the political and economic scenario? Hopefully, the current PH government will prevail in the state elections this year, but if PN comes into power I am afraid that the environment for alcohol beverages and gaming companies will not be conducive.

Benedict Lopez A/L Gibson Conception

Answer: With reference to our MD's briefing on the outlook for 2023, we anticipate this year to remain challenging due to escalating commodity prices, rising costs of living; and lower GDP growth projected for Malaysia at 4.1% vs 8.7% in 2022, while Singapore's GDP growth to ease between 0.5% to 2.5% from 3.6% last year.

As a group, we maintain a political 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

What is the CAGR pertaining to net profit for the next 3 years

Wong Lean Huat

Answer: Thank you for your question. We do not provide profit forecast or estimate.

Q&A FROM SHAREHOLDERS - 5

Will the company provide AGM Minutes to shareholders? Will the company publish all Q&A from shareholders to the company website?

Ong Kok Pak

Answer: All shareholders' pre-submitted Q&A, MSWG Q&A, AGM minutes and unanswered questions at the AGM due to time constraint will be published on the Company's corporate website in the next few weeks. Notably, similar unanswered questions will be grouped together and posted on the website.

Please access to <https://www.carlsbergmalaysia.com.my/investor-relations/company-announcements/annual-general-meeting/> for the mentioned materials.

Q&A FROM SHAREHOLDERS - 6

Reading your latest annual report I don't see the ethnic diversity at senior management level and in the Board of Directors. It will be good if Peninsular and East Malaysians of the different ethnic groups are represented at senior management and on the Board.

Benedict Lopez A/L Gibson Conception

Answer: At Carlsberg, we are committed to nurturing a diverse, equitable, and inclusive culture that makes Carlsberg a place where employees belong and can be their best. To increase diverse representation among our employees, we have made DE&I our business KPIs and actively track the female and ethnic ratio. We have also introduced programmes that promote awareness, such as training our people to mitigate unconscious bias.

We ensure diverse representation in key people processes such as talent development, assessment and selection in hiring processes, and pre-screening female and minority ethnic profiles for interview consideration by hiring managers. DE&I is a journey that we embark on together.

We believe that through these initiatives, we will eventually welcome diverse representations at all levels. To date, we have seen some progress in the area of ethnic diversity at the middle management level. In 2022, 15% of appointments (internal moves and/or external hires) into manager positions were of talents from minority ethnic groups. This conscious effort aims to build a diverse pipeline of succession candidates into senior leadership positions.

Q&A FROM SHAREHOLDERS - 7

There are few state government that do not allow the trading of alcohol, what measure the company had taken against this?

Ooi Cheng Kooi

Answer: Currently, there are no restrictions on trading alcohol in all states except for some municipalities that do not allow the sale of alcohol in majority Muslim areas. While there were some news coverage to ban the sale of alcohol, the laws have remained the same.

Q&A FROM SHAREHOLDERS - 8

What is the impact to Carlsberg profitability if inflation continue to rise?

Andrew Seah Meng Oun

Answer: We are actively managing the impact on the inflation on the cost of doing business. On procurement of key raw and packaging materials, we leverage of the Carlsberg Group globally on commodity hedging and price negotiation. On the local front, we look at operational efficiency (eg, new bottling line) to optimise cost. We also look at levers to grow our topline through revenue management, premiumisation and price adjustment to offset the impact of inflation.

Q&A FROM SHAREHOLDERS - 9

Understand that the company is unable to disclose exact numbers for on trade and off trade however can the company provide some input on on-trade and off-trade performance to date compared to pre covid

Teo Cher Ming

Answer: We have seen the recovery of the on-trade business in 2022 with the gradual lifting of the various COVID-19 lockdown measures, as consumers switch back their consumption from off-trade to on-trade. On off-trade, we continue to see good volume growth through this channel (including E-Comm). We have not returned to pre-pandemic ratio between on-trade/off-trade ratio.

Q&A FROM SHAREHOLDERS - 10

Can the company update shareholders on the Lion Brewery in view of the challenges in Sri Lanka and is the company exploring a disposal of this stake

Teo Cher Ming

Answer: We have registered a share of profit of RM21.5 million for the financial year ended 31 December 2022 (FY22), which is an increase of 41% from the year before, despite the challenges faced in the country. We remain committed to our investment in Lion Brewery, and we are confident that the management team of Lion Brewery will navigate through the challenges in the country.

Q&A FROM SHAREHOLDERS - 11

How has the SG and MY market performed in terms of craft beer which some of the brands might not be well known to the public compared to mainstream brands like Asahi and Carlsberg, to name a few. Any numbers that can be shared in terms of sales/market share in comparison with the mainstream/premium brand under the company

Teo Cher Ming

Answer: In Malaysia and Singapore, our craft beer portfolio consists of Brooklyn and Jing-A. While craft beer has been growing, it still represents a small proportion of our total volume.

Q&A FROM SHAREHOLDERS - 12

Reading Carlsberg's annual report, I notice the report only focuses on a certain level of staff having a merry time. There are no photos on the ordinary Carlsberg staff like the factory workers, general workers and office staff. Are they not an important segment of Carlsberg's staff.

I brought this matter up last year and thought the matter will be addressed but it has not been done.

Just look at the annual report of another Danish company, United Plantations, they focus on ordinary workers.

Benedict Lopez A/L Gibson Conception

Answer: At Carlsberg Malaysia, we value each and every one of our employees. We are committed to cultivate a diversified workforce, emphasise equality and lead with inclusive mindset, as guided by our diversity, equity and inclusion (DE&I) Policy.

In our 2022 Integrated Annual Report, we featured pictures of employees from all gender, race and functions. You can find our photos of our employees', from various functions including factory workers, general workers and office staff, on pages 80, 83, 90, 101, and 125.

Q&A FROM SHAREHOLDERS - 13

Would like to know what's wrong with the company, why the share price of the company cannot go up unlike the rival company Heineken. Tq

Te Seng Whatt @ Tay Seng Whatt

Answer: Share price can be influenced by many factors, including external factors outside a company's control. As a responsible organisation, we are committed to driving shareholder's value through delivering solid financial performance and dividends. With the approval of the final dividend by shareholders, this will bring the total dividend for FY22 to 88 sen. We are unable to comment on our competitor's share performance.

THANK

YOU

