

Responses to Substantial and Relevant Questions from Shareholders for the 2020 Virtual Annual Information Meeting of Thai Beverage Public Company Limited (“THBEV”) that was held on 19 June 2020

1. **Please explain how the COVID-19 pandemic has affected / will affect THBEV’s business and what measures are being taken to mitigate the negative impact. Also, given the lower level of business activities and travel due to COVID-19, how has the alcoholic beverage segment been affected?**

Company’s response:

• Spirits

- Our business in both Thailand and Myanmar started experiencing slower sales from the middle of March due to the impact of COVID-19. To mitigate the impact on our business, we have taken steps to reduce costs and have cancelled all major activities that we had initially scheduled for March and April, as well as subsequent months. Brand communication has, however, been maintained to keep our core brands at the top of consumers’ minds.
- In Thailand, many business activities, including the sale of alcoholic beverages, were halted starting in the 2nd week of April following the government’s declaration of a state of emergency due to the COVID-19 outbreak. Most lockdown restrictions have, however, been eased since 3 May.
- In Myanmar, factories were closed from April till the last week of May amid a lockdown. Our factories have since resumed production, albeit at a lower level, due to the implementation of measures to prevent the spread of COVID-19.

• Beer

- The Thai government imposed a ban on the sale of alcoholic beverages from the second week of April as part of its strategy to battle the COVID-19 outbreak.
- The sale of alcoholic beverages through off-trade channels in most regions was, however, allowed to resume in May, and sales through such channels across the whole country resumed in June. Consumers have also been allowed to drink alcoholic beverages at food shops and restaurants since 15 June.
- We have since focused on ensuring that our business returns to normal, operating with the necessary safety precautions in place. As a result, sales recovered in May and we achieved year-on-year sales growth in May.
- During the lockdown, we were precluded from activating planned activities and events under our brand communications strategy for the year. Physical events, in particular, had to be cancelled. Our ‘Friendship Moments’ campaign also had to be retailored to suit the evolving situation.
- The pandemic’s unprecedented scale and reach has also impacted Vietnam. All on-trade outlets were shut in March and people were prohibited from going out. Pubs, bars, and beer clubs in many provinces were shut. Traveling restrictions have also led to a reduction in the number of tourists in the country. COVID-19 has also resulted in fundamental changes in consumer behavior as consumers

have had to adapt to the closure of F&B establishments. The growth of off-premise consumption and sales through modern trade channels has been accelerated and will become even more important for us in the coming years amid the rapid development and urbanization of the markets in which we operate. We see these changes not as challenges or threats, but as potential opportunities on which we can capitalize for further growth. We have also introduced a number of cost-cutting initiatives, such as reducing utilities usage, renegotiating leases with landlords, and deferring non-essential activities. We also deferred some capital investments.

- Non-Alcoholic Beverages

- Towards the end of Q2, the COVID-19 situation impacted our non-alcoholic beverage sales volumes in food shops and restaurants as dine-in was not allowed. However, our sales through supermarkets increased as consumers began stocking up in preparation for a possible lockdown.
- As a result of subsequent restrictions, our customer traffic in food shops and restaurants declined, and such establishments have been operating well below capacity. Our sales volumes through such channels have thus dropped in tandem.
- We have, however, identified three new ways to generate sales to mitigate the reduction of sales through the aforementioned channels:
 - Developing new channels to reach consumers
 - Leveraging digital and online tools to expand our reach
 - Promoting healthier products to cater to consumers who are concerned about their health and wellness during this period.

- Food

- COVID-19 has significantly impacted our restaurants across Thailand.
- Travel restrictions and the closure of the country's airports have led to a drastic decline in the number of tourists, who typically form the majority of the customer base of our restaurants in some prime locations.
- On a broader level, restaurants that offered only dine-in options were not allowed to operate while other still operational restaurants had to be closed by 8.00 p.m. to ensure that restaurant staff arrive home before the curfew came into effect.
- To ensure business continuity and minimize the impact of COVID-19 on our food business, we implemented two strategies in April and May:
 - We enhanced our dine-in businesses to provide home delivery and takeaway options. This involved making significant changes within a short amount of time, but we were able to do so effectively and efficiently.
 - We reduced non-essential expenses and implemented cost-saving projects.
- Other measures we have taken to mitigate the impact of COVID-19 on our food business include negotiating lower rents, optimizing our supply chain and

deployment of employees, as well as tightening general and administrative expenses, etc.

- As we adapted to new consumer behaviors, we identified four trends that will shape the food industry going forward:
 - Consumers are placing a greater emphasis on health and wellness, as well as safety and hygiene. As consumer expectations increase and new standards arise, we will ensure that that we remain at the forefront of satisfying consumers’ needs and preferences.
 - COVID-19 has given rise to the “homebody economy”, with consumers increasingly used to shifting daily activities, such as eating, drinking, working, and shopping to become more home-based. This new normal is a channel that we can tap on.
 - The pandemic has led to an acceleration in the use of digital and online tools by consumers of all ages. Technology has proven to be a convenient and efficient enabler, and we will continue to leverage cutting-edge tools to further grow our business.
 - Consumers are increasingly expressing a preference for value for money products amid economic challenges. With a wide range of offerings across multiple price points, we are well-placed to cater to such demand.

2. With international tourism being significantly affected by COVID-19, what is the Group’s current plan to alleviate the impact in the next six months (until December 2020)? What are the Group’s current priorities for the remainder of the year?

Company’s response:

• Spirits

- International tourists are not the main consumers of our spirit products in Thailand and Myanmar.
- Despite the challenges we are facing in light of the COVID-19 situation, the performance of our core spirits brands in Thailand remains strong.
- To further premiumize our Hong Thong Thai spirit brand and strengthen brand loyalty, we launched a new 1 liter SKU into the market last October. This new SKU is the first of a series of packaging changes that we will be introducing for the brand.
- We also introduced a new 345ml. variant of our Blend285 Signature international spirit in March 2020.
- We also continued to build on the niche position of our rum brand, SangSom, and introduced a series of festive packs with a “Moonism” concept.
- We introduced two new products as well:
 - Niyomthai – a white spirit using new ingredients and packaging. It is made from aromatic rice and is packaged in small bottle. This product targets a new segment in the white spirits market.

- Phrayanak – a herbal spirit with a 12.8% alcohol level in 175 ml bottle and sells at consumer price of Baht 25. This product is another example of how we test and trial new spirits segments in Thailand.
- In Myanmar, the brands under the Grand Royal Group continued to gain market share in the country’s whisky market and now have a market share exceeding 74%.
- Beer
 - We remain committed to making Chang the number one beer brand in Thailand – this continues to be a priority for us.
 - This is still our key goal despite challenging circumstances. We are focused on growing the business to achieve our target.
 - During the COVID-19 period, we were precluded from carrying out planned activities under our brand communications strategy. Physical events, in particular, had to be cancelled. We therefore adjusted our marketing efforts to continue driving brand awareness through new campaigns.
- Non-Alcoholic Beverages
 - Three key fundamental areas of focus continue to shape our non-alcoholic beverage business. They comprise increasing the efficiency of our brand investments, transforming our cost structure, and improving sales margins.
 - To increase the efficiency of our brand investments, we have cut back on programs that have not achieved the targeted outcomes. We will continue to channel our budget towards more profitable programs, while prudently reducing overall spend, where possible.
 - To transform our cost structure and improve sales margins, we have come up with initiatives that address matters at both the back and front ends of the business.
 - At the back end of the business, we are focused on improving our business efficiencies. We have been running a ‘cash hunt’ program, looking for cost savings in every area of the business. This is in addition to changes to optimise our manpower and operational structures.
 - At the front end of the business, we are focused on SKUs and sales channels that generate higher margins.
- Food
 - Following the government’s move to re-allow dining-in at restaurants, we continue to maintain the highest safety and hygiene standards to reinforce consumers’ confidence in our brands. In addition, we continue to drive and accelerate the growth of sales through other channels, including deliveries and takeaways.
 - Expanding our network of stores has also been a key strategy for driving the growth of the business over the past few years, and will continue to be important.
 - However, as the market has evolved further over the past few months, we will continue refining store formats and concepts to ensure that they remain relevant.

- In addition, we will continue to digitalize our food business. We are applying one platform for multi channels to address user friendly. And to address home delivery market growth, we are building our own digital platform and working with both E-commerce partners and food aggregators.

3. What trends does THBEV foresee in the group’s spirits and beer businesses between April / May 2020 and September 2020?

Company’s response:

- In Thailand, the restrictions on the sale of alcoholic beverages through off-trade channels have been lifted in many regions since 3 May, and consumers have been allowed to consume alcoholic beverages on-premise since 15 June. In May, sales revenue of our spirits in Thailand increased YoY. The revenue increase in May partially covered our loss of sales in April due to COVID-19 lockdown. Underpinned by a strong and diverse spirit product portfolio that caters to a variety of segments and focuses on off-trade consumption, our spirits business’ results over the past eight months have been satisfactory compared to same period last year. Our beer business has also returned to normal, as evident from the recovery of our beer sales in May, during which we achieved year-on-year sales growth in May.
- In Myanmar, our factories resumed production in late May, albeit at a lower level, due to the implementation of measures to prevent the spread of COVID-19. Despite a challenging first half for the brands under the Grand Royal Group in Myanmar, we continued to gain market share in the country’s whisky market, and now have a market share exceeding 74%.
- In Vietnam, many businesses such as karaoke venues, clubs, bars, massage parlors, and spas – were allowed to reopen from 23 April. Some non-essential businesses, excluding karaoke venues and clubs, were allowed to reopen from 7 May. We are thankful that the Vietnamese government has managed the COVID-19 outbreak well and business activities have therefore largely returned to normal since May 2020. Our results show that our business started to recover in April and grew in May. We have also introduced a number of cost-cutting initiatives, such as reducing utilities usage, renegotiating leases with landlords, and deferring non-essential activities. While this means that some less critical projects, such as the expansion of our brewery, may be delayed, we will continue to efficiently pursue other more critical projects over the next few months and expect that these will bear fruit. We also continue to focus on sales through off-trade channels, modern trade channels, and home deliveries. The COVID-19 pandemic has accelerated the growth of off-premise consumption, which we expect will become the new normal in the future. SABECO will further explore emerging opportunities to grow and capitalize on potential upsides driven by this new normal. These challenging times have also led us to increase our focus on implementing measures to boost productivity levels and cut down on discretionary spending. For example, we have updated our human resources policies, tying employees’ salaries to their productivity levels, as well as reducing the number of temporary employees and third party contractors. Nonetheless, we remain committed to protecting our employees’ wellbeing and job security, and believe that we can overcome the current challenges and prepare for the upturn together. We have therefore been very careful with our cost rationalization drive, preserving employees’ morale and momentum.

4. What are the views of the management team on the company’s post COVID-19 sales and the associated risks relating to the “new normal” after COVID-19?

Company’s response:

- The COVID-19 pandemic has led consumers to place a greater emphasis on health and wellness, as well as safety and hygiene. We recognize that consumer expectations have increased, new standards have arisen, and consumer tastes have changed and will continue to change in the post-COVID period. This has resulted in higher demand for healthier products, which we are increasingly promoting.
- The pandemic has also increased consumers’ use of technology. We have therefore increased the use of digital platforms to continue creating memorable experiences with our brands for consumers. For example, we streamed artiste performances directly into consumers’ homes instead of organizing physical events like we did in the past.
- Consumers have also gotten used to shifting daily activities to become more home-based and this has accelerated the use of technology by consumers of all ages. Consumers are now more willing to make their beverage purchases online. We have seen a growth in this area and we will continue to monitor developments in this space so that we will be able to respond and adapt to any further changes in consumer behavior.
- In Vietnam, COVID-19 has indeed led to fundamental changes in consumer behavior as consumers have had to adapt to the closure of F&B establishments. The growth of off-premise consumption and sales through modern trade channels has been accelerated and will become more important for us in the coming years amid the rapid development and urbanization of the markets in which we operate. We see these changes not as challenges or threats, but as potential opportunities on which we can capitalize for further growth.

5. What is your masterplan for the subsequent years? How are you planning to implement your strategies?

Company’s response:

- While the impact of the COVID-19 situation is unlikely to abate so soon, we believe that THBEV is resilient and uniquely positioned to overcome any challenges that we may face.
- We remain steadfast in our journey to achieve our goals, and are committed to maintaining our profitability and to becoming a stable and sustainable ASEAN leader, and aim to strengthen our commitment to “Creating & Sharing the Value of Growth”.

6. Which parts of THBEV’s business are not meeting the management team’s targets? What actions are being taken to address these areas?

Company’s response:

- COVID-19 and related lockdown measures have impacted on-trade consumption, affecting our food business more than our other businesses. The drastic decrease in tourist arrivals has also impacted the segment. To mitigate these effects, we have been focusing on promoting delivery and takeaway options, following the enhancement of our dine-in businesses, to provide such options by leveraging food delivery aggregator apps and our own platforms. We have also reduced non-essential expenses and implemented cost-saving projects.

7. What are the steps to deleverage over time? Are acquisition opportunities prioritized over deleveraging?

Company’s response:

- THBEV has a strong, solid, cash-based business, with the majority of our sales having “cash before delivery” terms.
- Tapping on the cash flows from our operations, we have decreased our net interest-bearing debt to equity ratio from 1.30x as at 30 September 2019 to 1.16x as at 31 March 2020, and we are working to further deleverage the business.
- Debt financing is, nonetheless, necessary as it helps us to operate efficiently.
- It is a suitable source of capital as the cost of debt is typically lower than the cost of equity, and it also provides shareholders with a better return on equity (ROE).
- In addition, it is noteworthy that THBEV has investment grade credit ratings by both domestic and international rating agencies.
- We currently have no plans to undertake any major acquisitions, but are open to exploring small opportunities that may help grow revenue or net profit, or further improve cost efficiency.
- We have been looking to further increase cost efficiency and savings to preserve cash, and have also reduced our CAPEX plans and deferred non-essential CAPEX plans to subsequent years.
- We continue to explore ways to further deleverage, and we will update shareholders as appropriate in accordance with our obligations under the SGX Listing Manual.

8. Will there be any refinancing to take advantage of lower interest rates?

Company’s response:

- Yes
- THBEV has two types of interest-bearing debt – bank borrowings, and debentures, which account for the majority of our interest-bearing debt.
- We have been granted reduced interest rates from certain banks and have also bought back certain debentures from the market to lower our interest expense.

9. Will you be issuing rights in the next one to two years?

Company's response:

- We currently have no plans to issue any rights.

10. What are the probable financial impacts, if any, to THBEV and its subsidiaries, if COVID-19 pandemic still persists for the next 6, 12 months or even longer?

Company's response:

- It is hard to avoid some impact from this unprecedented situation.
- However, our product portfolio is relatively resilient as it caters more to off-trade rather than on-trade consumption.
- Even if the situation persists and consumers avoid going out, they can drink at home.
- We also note that that the government is trying to balance public health interests and economic interests.
- It is currently easing lockdown measures and starting to reinvigorate the economy with stimulus packages to mitigate the risk of economic slowdowns.

11. Considering THBEV core business models, are there any possibilities in worse case scenarios, that THBEV will consider reducing or not declaring future dividends, even if the company continues to register good growth, and healthy profit margins, etc.

Company's response:

- We remain committed to our full year dividend policy of paying out “*not less than 50% of net profit after deducting all specified reserves, subject to our investment plans and as the Board of Directors deems appropriate*”.

12. Does THBEV intend to split away its interest in Fraser Property?

Company's response:

- If there is any development on this, we will update shareholders as appropriate in accordance with our obligations under the SGX Listing Manual.

13. What is the status of the potential spin-off of THBEV's beer business via an IPO?

Company's response:

- We announced previously that we have been exploring avenues to optimize THBEV's asset portfolio and enhance shareholder value, considering options including a potential listing of our beer business. We continue to evaluate, with reputable advisors, suitable strategic proposals and opportunities to maximize shareholder value. In view of the current market and economic conditions, any potential listing will be reviewed and evaluated at an appropriate time when the global economic situation and outlook has improved.
- We will update shareholders as appropriate, and in accordance with our obligations under the SGX listing rules.

14. What keeps the CEO awake at night?

Company's response:

- The CEO, along with the Board and the rest of the management team, is focused on realizing THBEV's vision to be a world-class total beverage producer and distributor that embodies commercial excellence, continuous product development and premiumization, as well as professionalism. He is committed to growing the company in a stable and sustainable manner, and solidifying its position as a leader in Southeast Asia's beverage industry.
- THBEV has achieved a lot since its establishment, but cannot rest on its laurels. Consumers' tastes and preferences constantly evolve and competition is stiff. Our operating environment is also intertwined with the state of the economy and society, which are likewise interlinked. The COVID-19 pandemic has had a profound impact on all spheres. Some of its effects are temporary, while others are likely to result in a new normal.
- Keeping abreast of current affairs, including macroeconomic and industry developments, is critical. Fine-tuning operations to adapt to changes can make a difference in THBEV's performance.
- Supported by a strong, experienced, and capable team with a diverse range of expertise, the CEO is well-equipped to steer the company through the seasons.
- THBEV has a resilient business with leading brands in multiple markets across categories spanning from soy milk to single malt whisky, and is well-positioned for further growth.
