

Our Chairman's Message

Our People. Our Priority.

“Looking back, I am proud that we have a strong and capable Management Team who worked tirelessly in steering the Group through uncharted waters, keeping our employees engaged and focused, whilst always putting the health and safety of our people as a key priority.”

Dato' Sri Idris Jala
Chairman



Our Chairman's Message

Dear Shareholders,

2020 was a year filled with unprecedented challenges. Globally, humanity faced the threat of the Covid-19 pandemic, which debilitated healthcare systems in many countries, forcing governments to implement lockdowns in a bid to keep infection rates under control. As the health crisis swept across countries, a new normal began to emerge. Societies learned social distancing. Face masks and hand sanitisers became daily necessities. Travel plans were put on hold indefinitely. Workers transitioned to work from home. Students learned through virtual classrooms. 'Lockdown' and 'quarantine' were amongst the most overused words that we did not need to use in previous years. And the list goes on.

In Malaysia, the Government introduced a lockdown called the Movement Control Order (MCO) from 18 March 2020. The impact was immediately felt and the economy ground to a halt. Only industries recognised as essential were allowed to continue operating. To comply with the MCO, Heineken Malaysia Berhad (HEINEKEN Malaysia) had to suspend production at our Sungei Way Brewery and our business operations nationwide for a period of 46 days until 3 May 2020. Throughout this dark period, we kept our stakeholders informed proactively through stock exchange announcements as well as on our corporate website¹. Looking back, I am proud that we have a strong and capable Management Team who worked tirelessly in steering the Group through uncharted waters, keeping our employees engaged and focused, whilst always putting the health and safety of our people as a key priority.

In responding to the crisis and to mitigate its impact to the business, the Group embarked on various initiatives to accelerate recovery whilst improving operational efficiency to protect profitability. These efforts include:

- Aggressive cost saving measures which include revision of commercial and marketing spend.
- Optimising working capital management and utilising borrowing facilities to ensure the ongoing liquidity of the Group.
- Acceleration of e-commerce channel and digital campaigns.
- Continuing to support key stakeholders to restart their respective business.
- Actionable and pragmatic commercial initiatives to meet the new business conditions.

Unfortunately, the mandatory closure of non-essential business activities and restrictions on social activities imposed by the Government, posed significant challenges to our business, particularly in the on-trade channel (restaurants, food courts, hotels, pubs, etc) which faced the most severe restrictions, including the suspension of dine-in, reduction in tourism, and the general shift towards consumption at home. The combined effect of the

¹ <https://www.heinekenmalaysia.com/covid-19>

“

Tiger's 'Save Our Street Food' campaign channeled

RM1.5 million to help restaurants, coffee shops and street food vendors.”

suspension of our business as well as the restrictions on the on-trade thus impacted our performance in a significant way, resulting in a pre-tax loss of RM24 million for the second quarter of the financial year ended 31 December 2020 (FY20).

Nevertheless, I do take pride in the efforts of the team at HEINEKEN Malaysia who demonstrated commendable passion and commitment to go above and beyond the expectations to deliver our commercial targets. We recognise that in a year filled with such challenges, our wider society is also impacted in many ways. The lockdowns have resulted in unavoidable damage to the economy, industries, businesses, communities and families. During the year, we rolled out comprehensive programmes to support our stakeholders across the value chain. From our employees to our distributors, and from our consumers to our surrounding communities, we reached out with a helping hand to lend support in times of need. In total, we invested more than RM3.5 million in such initiatives, including Tiger's 'Save Our Street Food' campaign which channeled RM1.5 million to help restaurants, coffee shops and street food vendors. We further launched the HEINEKEN Malaysia 'Raise Our Bars' campaign and donated RM1 million to support pubs and bars to reopen safely when they are allowed to. We did not forget the most vulnerable segments in society and reached out to provide more than 80,000 meals for families from B40 communities, and further supported more than 1,000 flood victims by providing food aid during one of the worst flood disasters in Sabah.



The lockdowns have remained a perpetual fixture since March 2020, although there were several months of respite in the third quarter as the rate of new Covid-19 cases reduced and the Government was able to adopt a more relaxed stance over the lockdowns, transitioning to a "recovery phase" where most businesses were allowed to resume operations.

Our Chairman's Message

However, as the infection rate picked up again towards the end of September 2020, Malaysia began witnessing a new wave of Covid-19 infections in the fourth quarter. The Government then reintroduced stronger restrictions, putting most states under a Conditional MCO. Although our business was gradually recovering in the second half of the year, the impact to our performance has been significant.

For the full year 2020, Group Revenue decreased by 24% whilst Profit Before Tax declined by 52%, mainly due to lower sales, heavily disrupted by the prolonged suspension of brewery operations during the first MCO in March 2020. The Board at HEINEKEN Malaysia has proposed a first and final single tier dividend of 51 sen per stock unit for the year ended 31 December 2020, subject to approval of shareholders at the forthcoming Annual General Meeting (AGM). The single tier dividend will be paid on 28 July 2021 to shareholders registered at the close of business of 30 June 2021.

Unfortunately, attempts at combating the new wave of Covid-19 infections since October 2020 has been less fruitful. Even as I write this note in 2021, we are yet in another lockdown. Indeed, the Government's Director-General of Health has said that the healthcare system is at breaking point. On 12 January 2021, His Majesty, the Yang di-Pertuan Agong proclaimed a state of emergency in Malaysia with the aim of enabling the Government to fight the Covid-19 crisis in a more effective manner. The emergency is expected to last until 1 August 2021 or an earlier date if Covid-19 cases are reduced or stabilised. HEINEKEN Malaysia will continue to operate responsibly and ensure we always put the safety and wellbeing of our people ahead of any commercial consideration.

I take this opportunity to thank the Government for not increasing excise duties on beer and stout during its Budget 2021 announcement. As it is, Malaysia's excise rate for beer and stout ranks second highest in the world behind Norway and alongside Singapore. We also commend the Government for committing to further clamp down on illicit trade. As part of the wider Industry, we remain committed in supporting the authorities on addressing the issue of contraband beers and illicit alcohol through the holistic efforts of the Government's Multi-Action Task Force. We greatly appreciate this approach by the Government and we believe that this will be a win-win solution for both Industry and Government.

We also take note of the Government's move to increase penalties for drink driving in 2020. As a responsible and progressive brewer, HEINEKEN Malaysia has consistently advocated for responsible consumption. Leveraging on the reach of the Heineken® brand as a global F1 partner, we continue to educate consumers by reinforcing the message "When You Drive, Never Drink" through our social media campaigns. I am proud to share that annually, we spend 10% of the Heineken® media budget on promoting the message of responsible consumption.

Sustainability remains at the core of our business, in 2020 we continued to strengthen our initiatives in line with HEINEKEN's global sustainability strategy – Brewing a Better World. Since



2014, we have reduced our carbon emissions by 15.2% and reduced our water consumption by 15.5%. Efficiency was undoubtedly affected by the suspension of operations at our Sungei Way Brewery in the second quarter of 2020, nevertheless we are making holistic progress towards our sustainability goals. We are proud that we have maintained our Zero Waste to Landfill practice since 2017 and we are proud to announce in this report that we have fully balanced the water used in brewing our beers and ciders in 2020.

Acknowledgements

On behalf of the Board, I would like to welcome Choo Tay Sian, Kenneth back to the Board. Kenneth is a widely experienced leader for HEINEKEN in the APAC region. He replaces Evers, Leonard Cornelis Jorden who resigned from the Board on 30 September 2020. I would also like to welcome Seng Yi-Ying who succeeds Lim Rern Ming, Geraldine following the latter's retirement from the Board on 14 August 2020. The other Board members and I look forward to serving together with Kenneth and Yi-Ying.

I would also like to announce the upcoming retirement of Martin Manen, Senior Independent Non-Executive Director, from the Board which will take effect after the conclusion the upcoming AGM. We would like to convey our heartfelt gratitude and appreciation to Mr Manen for his invaluable contributions as a long-serving member of the Board. The appointment of his successor will be announced by the Company in due course.

I would also like to thank our Management, led by Roland Bala, as well as all employees at HEINEKEN Malaysia for their passion, dedication, and relentless commitment towards our purpose, which is to Brew a Sustainable Future for our People, Business and Planet. Our appreciation extends to all our shareholders and business partners - including our suppliers, distributors and customers – for their continued partnership with HEINEKEN Malaysia.

2021 will no doubt be another challenging year. However, with the Government now rolling out the national Covid-19 immunisation programme, I am confident that we are on the path of recovery and we will soon emerge stronger together.

Thank you.

Dato' Sri Idris Jala

Chairman
15 March 2021