

# Our Chairman's Message



**DEAR SHAREHOLDERS,**  
2019 has been a challenging year. Against a backdrop of global trade wars, heightened geopolitical risks, increased volatility in financial markets, weakness in commodity sectors, and domestic uncertainties leading to weaker growth, we saw consumer confidence remain below the optimal threshold.

**DATO' SRI IDRIS JALA**  
*Chairman*

## Our Chairman's Message

I am proud that we launched two new products in 2019 – the dealcoholised beer Heineken® 0.0 as well as the sessionable beer Tiger Crystal. Both products garnered widespread interest and will play a key role in HEINEKEN Malaysia's portfolio of brands.

With the increase in uncertainties, consumers became more prudent by deferring spending on discretionary products and seeking greater value in their purchases. The Malaysian Institute of Economic Research noted that the domestic spending momentum may deteriorate in the near term due to anxieties over rising living cost, which may limit shopping plans due to weakening purchasing power. On the bright side, consumer spending is sustained on the back of a steady labour market and stable inflation.

I am happy to report that Heineken Malaysia Berhad (HEINEKEN Malaysia) has delivered a commendable performance amidst challenging market conditions and the intensifying competitive landscape. In 2019, we grew our revenue by 14% (10% if we exclude the impact from the Sales & Services Tax) driven by robust sales performance across all core brands and new product launches. On the back of the solid revenue growth, Profit Before Tax rose 8% supported by improved cost efficiency.

# +14%

GROUP REVENUE

(10% if we exclude the impact from the Sales & Services Tax)

The impressive results were achieved due to the effective execution of key business strategies, in particular Management's focus on our core brands and big innovations. In this regard, I am proud that we launched two new products in 2019 – the dealcoholised beer Heineken® 0.0 as well as the sessionable beer Tiger Crystal. Both products garnered widespread interest and will play a key role in HEINEKEN Malaysia's portfolio of brands.

With consumer behaviour continually evolving in this digital age, in 2019, we saw the acceleration of online shopping, the proliferation of e-Wallets, and expansion of delivery services, notably for food and beverages. I am happy to report that HEINEKEN Malaysia has taken steps in the right direction with its e-Commerce platform for the drinks industry. With the launch of Drinkies.my, we now deliver our beers in a faster way to our consumers, even to the extent of bringing the complete bar experience and draught beer to our consumers' homes.

I take this opportunity to thank the Government for keeping excise duties on beer and stout stable in 2019. 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 increasing penalties for smuggling offences. Based on Industry observations, we believe the efforts of the authorities have helped address the illicit market. As such, we remain committed in working with the Government on educating and creating awareness on the issue amongst our stakeholders.

We also take note of the Government's intention 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 2019 we continued to strengthen our initiatives in line with HEINEKEN's global sustainability strategy – Brewing a Better world. I am happy to report that as of 2019, we have cut our carbon emissions by 18.4% and reduced our water consumption by 15% since 2014. Through our Corporate Social Responsibility arm, SPARK Foundation, we continued to lead the water stewardship agenda beyond production. In 2019, we constructed a 305-metre clay dyke in Raja Musa Forest Reserve, that is expected to help

store an additional 150 million litres of water. In the same location, we also reforested one hectare of degraded peatland forest which offsets CO<sub>2</sub> emissions from 1,400 cars.

For education, Tiger Beer continued its collaboration with Sin Chew Daily to organise two successful rounds of the Tiger Chinese Education Charity Concert, which has helped raise a total of RM355 million for Chinese schools in Malaysia since 1994. Through SPARK Foundation's continued investment in the English Enrichment Training Programme, we have now trained more than 630 educators across seven states in Malaysia, helping to improve English language competencies for over 10,000 students in rural areas.

**Acknowledgements:** On behalf of the Board, I would like to thank Kenneth Choo for his valuable contributions. In his place, we would like to welcome Leo Evers to the Board. Leo brings on board a wealth of experience in the HEINEKEN company. His strong business acumen and passion for sustainability will no doubt add a new perspective to the Board. I would also like to thank our Management, led by Roland Bala, as well as employees throughout the Company for their passion and commitment. Our appreciation extends to all our business partners – our suppliers, distributors and customers – for their continued partnership with HEINEKEN Malaysia.

As we move into 2020, we are faced with an unprecedented global crisis in the form of the Covid-19 pandemic. As a direct result, we will face greater uncertainty as the world fights to contain the pandemic. As a responsible Company, HEINEKEN Malaysia's first priority is the safety and health of our people. I am proud to see that the team is quickly working to support our stakeholders through this difficult period. Whilst it is clear that our business will be significantly impacted, I have full confidence that the Management is taking the right actions to safeguard the continuity and sustainability of our business in 2020 and beyond. Thank you.

**Dato' Sri Idris Jala**  
Chairman  
20 May 2020