

LETTER FROM CHAIRMAN



TAN SRI SAW HUAT LYE • Chairman

A TOAST TO ANOTHER GOOD YEAR!

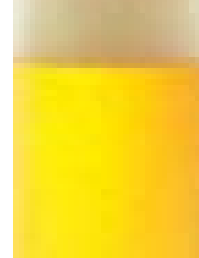
Dear valued shareholders,

I am pleased to report to you that Guinness Anchor Berhad has once again recorded a commendable performance with a pre-tax profit of RM107.363 million, a 14.6 per cent increase from the RM93.718 million recorded previously. The profit was achieved on the back of a group revenue of RM725.371 million, 3.4 per cent higher than that of the previous year.

This performance is even more significant as it was achieved against a very competitive and challenging economic backdrop. It can be attributed to our concentrated efforts in the areas of cost and organisational effectiveness and our distinctive portfolio of brands.

The improvements were made in a market environment where the only bright outlook was the modest economic recovery and all other conditions remained unchanged. The continued incidences of smuggling, despite the increased crackdown on contraband beer, and the import of lower-priced Asean brands added to further stifle the malt liquor market that is already facing challenging times.

The malt liquor market managed to grow by slightly over one per cent and this was on account of the



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aggressive marketing activities and promotions carried out by the industry. The marketing and promotional activities together with the year-end and Chinese New Year festivities, saw higher consumption levels. This uptake would have propelled the malt liquor market to turn in a better year but for the outbreak of war in Iraq and the Severe Acute Respiratory Syndrome (SARS) which dealt a considerable blow to the tourism industry and in turn adversely affected us.

We were, however, able to overcome these challenges by leveraging on our diverse brand portfolio and our organisational effectiveness. The completion of phase one of the brewery automation also helped the company to increase efficiency and enhance cost effectiveness. Through focussed brand portfolio management, we increased the visibility of our products, improved distribution by targeting the right outlets, and continued to deliver quality in freshness of our products.

Our two top brands -- Tiger, one of Asia's fastest growing beers and Heineken, the No 1 international premium brand - posted double digit growths in sales volume for the second consecutive year. Both beer brands led the charge in enabling us to carve a bigger share of the market.

In stout, we consolidated our position with a new thematic campaign that portrayed GUINNESS as the drink for individuals with self-belief and determination who realise dreams and conquer challenges. This campaign was followed-up with a new exciting image change featuring the same great tasting stout in a sleeker, more contemporary bottle. The new image exudes confidence, modernity and boldness – exactly the traits of today's generation of consumers.

Anchor, the favourite, quality local brew, also went through a relaunch, sporting a contemporary new look. Now re-branded as Anchor Smooth, this beer has its own adorers and is set to play an increasingly supportive role to enhance our market share.



A happy Guinness Anchor Berhad family at the annual dinner and dance



Visitors on a brewery tour



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At the corporate level, Guinness Anchor Berhad has received due recognition as a company that gives good shareholder value. We rank No 6 in a KPMG/The Edge listing of the top 75 listed companies in terms of shareholder value creation with the key measure being economic profit as a percentage of invested capital.

Going forward, the current fiscal year is not likely to be far different from the year that was. The prospects of an improving economic climate are likely to see better growth in the malt liquor market. However, despite this optimistic outlook, the market is still expected to remain highly competitive. The recent increase in excise duties of 10 per cent will add a further challenge to our financial outlook for the coming year.

In line with our good financial performance, I am pleased to announce that the Board of Directors is recommending a final dividend of 12 sen gross and a special final dividend of 12 sen gross per 50 sen stock unit less Singapore income tax at 22 per cent. This will bring the total dividends for the financial year to 36 sen gross per 50 sen stock unit.

I would like to take this opportunity to welcome Theo A F de Rond as our new Managing Director. Formerly the Corporate Marketing Director at Heineken NV, Theo brings with him more than 24 years of experience in the Group. I am confident that, with his wealth of experience, he will be able to brew even greater success for Guinness Anchor Berhad.

At the same time, I would also like to bid farewell to Jac van Herpen, our former Managing Director, who has returned to Heineken NV in the Netherlands, to assume a new position as Corporate Brands Director. We have much to be thankful to Jac for. During his 2½ years, he had made many significant contributions to the company. On behalf of the company, I would like to wish him and his family the very best in his new assignment.





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Farewell also to David Charles Craig who has resigned as a member of our Board. In his place, I would like to warmly welcome John Irving who joined us in September.

On behalf of the Board of Directors, I would like to express my gratitude to the management and staff of Guinness Anchor Berhad for their dedication and commitment to bring the company to where it is today. I would like to take this opportunity to extend our appreciation to you, our shareholders, for your unrelentless support to the company. I would also like to thank our distributors, retailers and suppliers who have continuously supported us. Most of all, our thanks goes to all the consumers who have steadfastly been loyal to our brands.

Tan Sri Saw Huat Lye
Chairman
30 September 2003