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POS MALAYSIA ANNOUNCES RM2.3 BILLION REVENUE FOR FINANCIAL YEAR ENDED 31 DECEMBER 2020

KUALA LUMPUR, 22 FEBRUARY 2021 – Pos Malaysia Berhad (Pos Malaysia) today announced the Group's results for the fourth quarter (Q4, FY2020) and full financial year ended 31 December 2020 (FY2020).

The Group recorded a revenue of RM2,332.3 million mainly contributed by the revised postage rates for commercial mail implemented in February 2020 and higher parcel volume due to the increase in online shopping throughout the restriction periods in the year.

However, the Group saw a loss before tax of RM303.5 million, following the unprecedented pandemic in FY2020 which impacted the postal, logistics and aviation segments, in addition to the one-off expenses of RM123 million in goodwill impairment, RM16 million in Property, Plant and Equipment (PPE) impairments and a provision for a cost reduction scheme of RM42 million. Nevertheless, this was offset with a gain in partial disposal of equity in World Cargo Airline Sdn Bhd of RM79 million.

Pos Malaysia recorded a net loss of RM232.3 million in Q4, FY2020 with a 12.6% decline in revenue at RM544.6 million compared to the previous quarter as revenue from mail and international businesses declined.

Pos Malaysia Berhad's Group Chief Executive Officer, Syed Md Najib said, "The challenges and uncertainty brought about by the COVID-19 pandemic in 2020 tested Pos Malaysia's resilience and responsiveness toward sustaining its business while ensuring its planned transformation initiatives were carried out to remain relevant in the market. The progress of our transformation journey and improved financial performance seen in Q2 and

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Q3, FY2020 have provided us the confidence in making improvements to the group's profitability this year."

"The Group is currently executing its business recovery plan and is confident that the aviation sector will recover if the pandemic can be brought under control this year. We will continue our transformation journey to further improve our position in enhancing customer experience; riding on technology and digitalisation while leveraging on the exponential growth of the eCommerce sector," Syed Md Najib added.

Business Segments Performance for FY2020

Postal segment revenue was largely contributed by the courier business (46%) followed by mail business (33%). The segment was initially impacted by the first wave of COVID-19 and movement restrictions enforced in March 2020. Temporary closure of businesses and movement restrictions for the public resulted in a decline in mail volume and retail transactions in post offices. Reduced frequency of commercial flights in and out of Malaysia also impacted our international business due to the dependency on cargo space.

However, mail business benefitted from the revised postage rates that was implemented in February 2020. The postal segment's performance was generally much better in Q2 and Q3, FY2020, which recorded a profit before tax in both quarters. Increase in online shopping resulted in parcel volume growth of 24% compared to the same period last year, with April 2020 recording the highest number of parcel acceptance in Pos Malaysia's history at 13 million parcels. Mail volume and retail transactions also returned to pre-COVID-19 levels at the end of Q2, FY2020 as movement restrictions were eased.

Despite strict precautionary measures taken by both Pos Malaysia and its vendors, the main parcel processing centres, which processes up to 70% of the courier's total parcel volume, had to temporarily shut down in October and November 2020 due to a COVID-19 outbreak.

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This impacted the ability to meet the segment's courier Service Level Agreements (SLAs), resulting in lower customer confidence, thus lesser parcels received during the period.

Cost of courier transportation increased by 20% compared to the preceding quarter, due to the rerouting of parcels to other processing centres and increase in shipment of bulky and large sized items especially to East Malaysia.

The Retail business on the other hand, remained unaffected in Q4, FY2020.

Logistics segment revenue of RM313.9 million was primarily contributed by freight management services (freight forwarding, haulage, warehousing, etc) and automotive logistics services. During the financial year, the segment benefitted from higher demand for shipment services and higher automobile production volume from local car manufacturer, Proton Holdings Berhad. The segment was largely unimpacted by COVID-19, except for the months between March and April 2020 when strict movement restrictions were in place. Losses for the segment was mainly contributed to impairments of multiple receivables.

Aviation segment revenue of RM163.0 million was contributed primarily by cargo handling (33%) and ground handling (23%). The segment was negatively impacted by the COVID-19 pandemic which saw the number of commercial flights across all Malaysian airports decline drastically during the year. This resulted in the decline in demand for all services.

Various cost-cutting measures were implemented to mitigate the loss in revenue. Despite this, the segment recorded a loss before tax.

Other segments comprising mainly of printing and insertion, digital certificates and Ar Rahnu businesses, benefitted from higher demand for gold pawning and increased certificate issuance from e-filing projects during the year.

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Future Prospects

The management is confident that the progress of its transformation program and improved financial performance seen in Q2 and Q3, FY2020, should be able to pick up and continue the group's profitability path in FY21.

2021 will see Pos Malaysia continue its transformation initiatives to further improve efficiency, manage costs and capitalise on growth opportunities.

The resumption of operations, after the temporarily shut down of Pos Malaysia's main parcel processing centres, have allowed operations of the courier business to return to full capacity. The courier business will focus to regain parcel market share from online marketplaces and eCommerce businesses.

Pos Malaysia will continue to rationalise underutilised mail infrastructure in its ongoing efforts to streamline operations and reduce costs. In addition, the company is trialing the concept of a fully crowdsourced last-mile delivery model for the courier business, to be replicated in suitable locations across the nation.

In line with its cost reduction scheme, Pos Malaysia managed to reduce its expenditure in Q4, FY2020 and this will give a forecasted annual savings of RM24 million.

More auto insurance partners will be onboarded on to our web portal and mobile application to enrich offerings on our digital platforms. Pos Malaysia will also seek further regulatory changes through the National Postal and Courier Industry Laboratory (NPCIL), which should aid in building a sustainable courier sector.

Pos Logistics, which serves prominent automotive manufacturers, should benefit from the government's extension for sales tax exemption on cars until June 2021. Pos Aviation will continue to be prudent in managing costs as it navigates through this unprecedented challenging period for the aviation industry.

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The culmination of the group's initiatives, as well as continuous operations improvement, should result in improved profitability for this upcoming financial year.

Note* As announced on 1 August 2019, the Company changed its financial year end from 31 March to 31 December. As such, no comparative figures are presented as it is not comparable with any comparative period previously reported.

***ENDS**

About Pos Malaysia Berhad

The Pos Malaysia Group is a dynamic postal (mail, retail, courier, and international), logistics, aviation, financial and supply chain solutions provider with the largest delivery and touchpoint network in Malaysia, offering an extensive retail network experience through its core business segments. With a track record of over 200 years, the Group connects the nation with over 200 postal operators globally and extended its capability to support South East Asia's rapidly expanding cross-border eCommerce businesses. For information on the Pos Malaysia Group, visit www.pos.com.my.

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