

CEO BUSINESS REVIEW

BEVERAGES • CORE MARKET

MALAYSIA

BEVERAGES MALAYSIA: RESULTS

Despite challenging market conditions, cautious consumer spending and the loss of contribution from *RED BULL*, Beverages Malaysia FY2016 volume increased 2%. The volume gains were supported by *100PLUS*, *F&N SEASONS*, *F&N ICE MOUNTAIN* and *F&N Sparkling Drinks*, on the back of effective execution of consumer and trade marketing programmes over festive periods, a strengthened route-to-market, as well as the success of its new launches. *OISHI*, *est COLA* and *RANGER* – ThaiBev's brands distributed by Beverages Malaysia – also enjoyed strong volume growth.

While Beverages Malaysia recorded volume gains in its core brands, the soft market condition in Malaysia has exerted downward pressure on pricing.

Volume (%)

▲2%

Revenue (%)

▼16% (▼9%¹)

Profit Before Interest & Taxation (%)

▼49% (▼45%¹)

Profit Before Interest & Taxation Margin (%)

▼3pp

1 In constant currency

Negative translation effects and loss of contribution from *RED BULL* further contributed to the 16% decline in FY2016 revenue (-9% in constant currency). Lower revenue, a one-off consultancy expenses in relation to a restructuring exercise, higher tactical discounts and the loss of agency margin contribution eroded gains from favourable product mix, resulted in an overall 49% fall in its FY2016 PBIT.

This year, leading positions of core brands *100PLUS* and *F&N NUTRISOY* were maintained as Beverages Malaysia has remained steadfast in marketing and branding initiatives, focusing on promoting active and healthy living. *100PLUS*, for instance, reinforced the importance of hydration while leading active lifestyle by launching special packaging throughout the year and in conjunction with international sports events. It also continued to lend support to Malaysia's athletes, as well as regional and national sports events.

Beverages Malaysia continued to position *F&N NUTRISOY* range of soya milk as a tasty and nutritious beverage alternative. To emphasise the health benefits of its low-fat-low-sugar content, it rebranded *F&N NUTRISOY* Less Sweet variant to *F&N NUTRISOY* Lite.

The Group undertook a major restructuring exercise to integrate its soft drinks and dairies operations in Malaysia this year. This exercise aims to improve operational efficiency, realise greater economies of scale and harness the full potential of its brands and distribution capabilities as a combined operation. A new commercial structure was formed, and an optimised and integrated route-to-market was rolled out on 1 October 2015. The associated one-off consultancy expenses related to this exercise was recorded in this financial year.

As testament to the Group's confidence in the growth potential of its brands and its role in Malaysia, Beverages Malaysia announced investments of over RM300m (S\$100m) on a new soft drinks plant in Kota Kinabalu, an aseptic cold-filling PET bottle line and an integrated warehouse in Shah Alam, and a new UHT line in Kuching. Aimed at optimising its manufacturing and distribution facilities to meet the growing demand for its healthier range of beverages, these investments by Beverages Malaysia are aligned with the Group's Vision 2020 of strengthening our key market positions and supporting our regional expansion.

While the restructuring exercise to optimise its resources in Malaysia continues into the new year, Beverages Malaysia will also continue to focus its marketing and R&D efforts on maintaining its leading positions in Malaysia. It will continue to engage consumers, responsibly, to heighten brand awareness as well as to invest in the development of products that foster active, healthy living, in line with our tagline '*PURE ENJOYMENT. PURE GOODNESS*'.

ISOTONIC: 100PLUS

F&N's flagship brand and Malaysia's No. 1 soft drink, *100PLUS*, continued to cement its position as the enabler



of active lifestyle through its support of a series of sports-sponsorship including national athletes, major sports events and several national sports bodies. This year, *100PLUS* extended its support of the national badminton team to include more of its athletes and launched a special “Thirst for Victory” gold can to garner public support for the badminton team during Olympics 2016. For 2017, *100PLUS* has pledged RM3m to the 29th Southeast Asian Games and 9th ASEAN Para Games, to be held in Malaysia, as the Official Isotonic Beverage in support of the country’s sportsmen.

To generate excitement, *100PLUS* rolled out several limited edition packaging throughout FY2016. Starting with its Chinese New Year gold cans packaging, *100PLUS* conducted above- and below-the-line activations, including partnering the leading media and entertainment group in Malaysia to spread festive cheer in its annual carnivals held in four locations nationwide. At the carnivals, *100PLUS* engaged youths and families through contests and product sampling. The successful execution of the *100PLUS* festive gold cans campaign resulted in a 14% increase in volume as compared with the same period last year.

For Hari Raya, a limited edition packaging was launched for the *100PLUS* 1.5L variant, in Berry and Lemon Lime flavours. To increase brand visibility and top-of-mind awareness, *100PLUS* sponsored television programming and a tele-movie featuring two of Malaysia’s popular actors, in addition to conducting samplings at local bazaars and mosques.

In conjunction with 2016 UEFA Europa League, a pair of limited edition glass bottles of *100PLUS* Original flavour featuring global football stars, Pelé and Oscar, who were *100PLUS* ambassadors in FY2015, was launched as collectibles. It also rewarded 10 winners of its consumer contest with an all-expense paid trip to Brazil to catch the football matches live. Besides leveraging its partnership with the League’s main broadcaster to drive brand visibility on air, *100PLUS* also activated nationwide roadshows and impactful in-store displays.

SOYA: F&N NUTRISOY

Research has shown that the main reason for soya milk consumption is to satiate one’s hunger pangs in between meal times. To reinforce this consumption occasion, *F&N NUTRISOY*, Malaysia’s No. 1 soya milk,



implemented an integrated campaign consisting of above- and below-the-line channels, consumer promotions and mobile sampling to instill the concept of drinking *F&N NUTRISOY* during break times for sustenance.

In line with the increasing focus on healthy beverages, *F&N SEASONS NUTRISOY* Less Sweet was rebranded to *F&N NUTRISOY* Lite, to better reflect its low-fat and low-sugar content. Its packaging was also refreshed this year to give it a more updated look. A 360-degree marketing campaign including a nationwide consumer contest was launched to promote visibility and awareness of the new look and rebranding. The consumer contest



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included other F&N products such as *F&N SEASONS NUTRIWELL*, *F&N FRUIT TREE*, *F&N SEASONS* and *OISHI* to encourage an increase in average basket size and purchase frequency. The hugely popular contest garnered more than 50,000 entries over a two-month period.

TEA: F&N SEASONS AND OISHI

F&N commands Malaysia's ready-to-drink tea segment with *F&N SEASONS* and *OISHI* leading the black tea and green tea segments, respectively.

Malaysia's No. 1 brand of ice lemon tea, *F&N SEASONS* Ice Lemon Tea, continued to convey the importance of taking a break and remaining optimistic in its "Janji Chillax" campaign. Focusing its consumer engagement initiatives on digital platforms and sampling activities this year, *F&N SEASONS* was able to extend its reach to more consumers both on-ground and on its social media pages.

Riding on the popularity of its flavours launched since 2014, *OISHI* introduced the new Lychee flavour to create more excitement and variety in the RTD green tea segment. It also made available the Original, Genmai, Honey Lemon

and Lychee flavours in a new 250ml tetra pack in conjunction with Chinese New Year for convenience. *OISHI* continued to focus its brand communications on the authenticity and quality of its 100% organic Japanese green tea leaves in its campaign.

Besides conducting sampling at retail outlets, *OISHI* participated in the annual Bon Odori Festival, the largest outdoor event in Malaysia, held in Shah Alam, Penang and Johor Bahru, to create more sampling opportunities. It also supported the month-long Japanese Film Festival with on-ground and online contests to reward festival-goers with *OISHI* products.

CARBONATED SOFT DRINKS: F&N SPARKLING DRINKS AND EST COLA

F&N Sparkling Drinks continued to build relevance and brand affinity amongst





Market Position



#1

Flavoured Carbonated Soft Drinks

youths by collaborating with a popular local band in its integrated campaign. An original song, 'Warnai Dunia', was written by the band for the campaign, and embodied the brand's essence of spreading cheer and fostering

togetherness. Leveraging the band's strong fan base, the song's music video generated over 1.2 million views online within two months of its launch.

As a new entrant in the local cola segment with its launch in 2015, *est COLA* intensified its publicity efforts this year with an on-ground activation at a popular shopping mall in Kuala Lumpur. On top of sampling *est COLA*, shoppers could immerse in experiential activities such as experiencing snowfall, an interactive photo booth and 3D optical illusion street art. These activities were aimed at promoting *est COLA* as a unique and preferred cola brand.

To create more trial opportunities, *est COLA* was the main beverage sponsor of the Kuala Lumpur Food Truck Parade, targeting an

estimated 25,000 people at the largest food truck gathering in Malaysia. It also conducted product sampling at the Petaling Jaya City Council's 10th anniversary event which saw more than 12,000 participants.

Market Position



#2

Asian Soft Drinks (Non-Soya)

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SINGAPORE

BEVERAGES SINGAPORE: RESULTS

Despite a softening retail market, Beverages Singapore and Export, consisting of Soft Drinks and Beer, recorded 13% volume growth, mainly due to the successful launches of new products *F&N ICE MOUNTAIN* Sparkling Water, *COCO LIFE*, *OISHI* and *CHANG* beer. Beverages Singapore began the distribution of *CHANG* beer in October 2015.

Coupled with favourable product mix, effective brand building initiatives and a strong distribution network of 25 distributors, 23 retailers and 4,414 outlets, Beverages Singapore FY2016 revenue expanded 19%. Boosted by the surge in both Domestic and Export revenue, as well as lower input cost, Beverages Singapore FY2016 earnings jumped 63%.

Volume (%)

▲ 13%

Revenue (%)

▲ 19%

Profit Before Interest & Taxation (%)

▲ 63%

Profit Before Interest & Taxation Margin (%)

▲ 2pp

Following the acquisition of Warburg, completed in July 2016, Beverages Singapore was able to harness its complementary capabilities and skill sets to strengthen its position in the vending market and scale up its infrastructure in Singapore. With a threefold increase in the number of its vending machines, Beverages Singapore successfully increased its brand visibility and product availability in both public and private segments, across educational, industrial and commercial sectors in Singapore. Through its expanded vending network, Beverages Singapore was able to offer consumers more convenience and a wider product range, from pasteurised products, to bottled and canned soft drinks, hot beverages as well as snacks, at more locations islandwide.

In addition to expanding and deepening its route-to-market, Beverages Singapore continued its emphasis on product innovation, focusing on healthier beverages. New products launched in response to the rising health and wellness trend included *F&N ICE MOUNTAIN* Sparkling Water and *F&N NUTRIWELL* Snow Fungus with Wolfberry. The latter, the latest addition to the *F&N NUTRIWELL* range which commands market leadership in the Pasteurised Asian Soft Drinks segment, uses natural ingredients,



contains 25% less sugar and is certified a 'Healthier Choice' by Singapore's Health Promotion Board. In addition to new variants, Beverages Singapore also rolled out new 1L-pack for its healthier range of beverages such as *COCO LIFE* and *F&N NUTRISOY* UHT Reduced Sugar.

Through consistent and effective brand building programmes, this year, *100PLUS*, *F&N NUTRISOY* and *F&N ICE MOUNTAIN* maintained their leading market positions in Singapore, with market share gains in the isotonic, soya and water segments, respectively.

ISOTONIC: 100PLUS

As Singapore's No.1 isotonic drink, *100PLUS* remains the isotonic drink of choice for athletes and individuals in pursuit of an active lifestyle. This year, *100PLUS* continued to support sports development and endorse active lifestyles through sponsorships and brand building activities.



Pasteurised Asian Soft Drinks



As part of the successful “Let’s Move” campaign introduced in FY2015, 100PLUS organised the “Run for Good” event in Singapore. This event was aimed at encouraging Singaporeans to lead active lifestyles by rewarding them with a fitness tracker for clocking 1.5km in 10 minutes on a treadmill. 100PLUS also took the opportunity to raise awareness for SportCares, an organisation which works to improve the lives of underprivileged children and youth-at-risk through sports, by donating to SportCares Foundation for every kilometer covered by participants. Over the two-day event, 100PLUS highlighted the importance of exercise to the public and clocked over 1,360 km by 814 participants.



In conjunction with Rio 2016 Olympics, 100PLUS launched a set of three limited edition cans featuring table tennis, swimming and running to rally Singaporeans to support Team Singapore athletes. As Supporter of the Singapore National Olympic Council, 100PLUS provided hydration to Team Singapore athletes while they trained in the three months leading up to Rio 2016 Olympics. 100PLUS also participated in Olympic Day, an event commemorated worldwide to celebrate the Olympic ideals and encourage individuals to get active.

As a fervent advocate of active lifestyles for both national athletes and individuals, 100PLUS continued its support for several major events



including OCBC Cycle, Standard Chartered Marathon Singapore, SGX Bull Charge, The New Paper Big Walk, Sundown Marathon, The Color Run, SMBC Singapore Open, HSBC Rugby Sevens and WTA Finals Singapore.

Having achieved a record brand equity score amongst youths in Singapore, 100PLUS clinched Best Youth Marketing at the Singapore Media Awards 2016 for its “Go for Gold” SEA Games 2015 campaign. The campaign achieved close to five million online impressions based on a media strategy that focused on using celebrities and social media, online placements, and print and outdoor advertising at train stations with high footfall. Over a six-week period, about one million 100PLUS gold cans were sold.

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SOYA: F&N NUTRISOY

F&N NUTRISOY, Singapore's No. 1 soya milk, aimed to raise awareness of its low-glycemic-index attribute and educate consumers on the importance of protein for the body's daily functions through its "Protein Goodness Your Muscles Need" campaign. On top of print and online advertisements, and placements at train stations to build top-of-mind awareness, *F&N NUTRISOY* also partnered with a celebrity chef to demonstrate recipes using *F&N NUTRISOY* to drive in-home consumption. During this period, volume of *F&N NUTRISOY* 1L-pack jumped 25% as compared to the previous year.

F&N NUTRISOY also launched the *F&N NUTRISOY* UHT Reduced Sugar in 1L-pack, in response to the increasing focus on beverages with less sugar. The 1L-pack, catered for in-home consumption, contributed to volume growth of 24% of *F&N NUTRISOY*'s ambient range over a four-month period as compared to the previous year. Consequently, market share of the ambient range increased close to 2 percentage points.

WATER: F&N ICE MOUNTAIN

One of F&N's innovations of FY2016 was *F&N ICE MOUNTAIN* Sparkling Water,



in lemon and grapefruit flavours. These launches offer consumers a carbonated water that is both affordable and healthy, with no sugar and zero calories. The 360-degree campaign aimed at driving brand awareness included an interactive on-ground activation which helped to convey the campaign's message of "Sparkle from Within" – a user was transformed into a mass of bubbles through a digital screen, and a custom-built mobile bubbling water bar created refreshing sampling opportunities.



Since its launch, *F&N ICE MOUNTAIN* Sparkling Water has contributed to the growth of the water category and has performed in line with management's expectations.

TEA: F&N SEASONS AND OISHI

F&N SEASONS continued its "Chill with Your Favourite *F&N SEASONS* Tea" campaign this year, supported by in-store displays and eye-catching advertisements at train stations, on print and social media. As at FY2016, *F&N SEASONS* maintained its No. 2 position in the RTD black tea segment.



Market Position



Flavoured Carbonated Soft Drinks

FY2016 saw the launch of two additional flavours – Honey Lemon and Lychee – to add to the already popular *OISHI* Green Tea Original and *OISHI* Green Tea Genmai. To maximise brand exposure, *OISHI* Honey Lemon Green Tea partnered a popular local blockbuster television drama and engaged one of its lead actresses to front its television commercial aired during prime time evening. Coupled with an effective 360-degree campaign, *OISHI* Green Tea doubled its market share in the RTD green tea segment in December 2015. Riding on the success of *OISHI* Honey Lemon Green Tea, *OISHI* Lychee Green Tea was introduced in September 2016, also backed by a consumer promotion and integrated marketing activities to raise awareness and generate trials.

CARBONATED SOFT DRINKS: F&N SPARKLING DRINKS

As a brand synonymous with festive celebrations, *F&N* Sparkling Drinks rolled out a Chinese New Year-themed 24-can pack, and a limited edition flavour, *F&N* Pineapple in 1.5L-pack during Hari Raya. As with past Chinese New Year activations, Beverages Singapore engaged two celebrities to front its television commercial and social media advertisements. The performance

of the festive 24-can pack was a success – volume increased 14% over the Chinese New Year period compared with the corresponding period in the previous year. The response for *F&N* Pineapple was another success; its volume exceeded 2015’s Hari Raya period.

BEER: CHANG

Since Beverages Singapore started distributing *CHANG* beer in October 2015, both volume and distribution coverage have increased in the span of one year. Total volume was up 8% as at FY2016, while September’s volume jumped 37% compared to the year-ago period, before the Group took over the



distribution. Volume growth was most significant in the modern trade and general retail channels, at 34% and 25% respectively, due to Beverages Singapore’s earnest efforts to expand coverage. The number of distribution points more than doubled as compared to September 2015, with new convenience stores and food service outlets added to its network this year.

The strong performance of *CHANG* beer was attributed to the successful execution of strategic trade promotions and on-ground activations. Consumer promotions, eye-catching in-store displays and outdoor sampling opportunities at large-scale events encouraged consumer trials and improved brand visibility. *CHANG* beer’s consumer engagement programmes that focused on football, music and Thai food and culture also extended its reach to a wider audience, effectively boosting brand awareness and consumption. In the coming year, Beverages Singapore has plans to increase both volume and distribution coverage through targeted trade and consumer promotions.

