

DAIRIES

CORE MARKET Malaysia



DAIRIES MALAYSIA: RESULTS

This year, Malaysia F&B sector remained challenged by intense competition amid poor consumer sentiment. Accordingly, domestic dairy volume recorded marginal decline, cushioned by the double-digit volume growth in its Export business. Coupled with the weaker Malaysia Ringgit against Singapore Dollar, Dairies Malaysia FY2017 revenue fell 7%, to \$301m. In constant currency, revenue would have fallen 3%. Higher raw material costs, lower revenue and unfavourable currency movements more than offset the benefits of increased price mix and cost savings initiatives. Dairies Malaysia PBIT fell 6% against the previous year, to \$45m. In constant currency, its profit would have fallen 2%.

Despite the fall in sales, Dairies Malaysia maintained its No.1 canned milk position with *F&N*, *TEAPOT* and *CARNATION* brands. Its liquid milk brands, *F&N MAGNOLIA* and *FARMHOUSE*, recorded volume growth in FY2017.

CANNED MILK: GETTING CREATIVE WITH SWEETENED CONDENSED AND EVAPORATED MILK

F&N

F&N canned milk reinforced its No.1 Sweetened Condensed and Evaporated Milk position by focusing its marketing campaigns on the application of canned milk in food and beverage consumption. An extension of the successful AROMA KASIH SAYANG campaign launched in FY2016, the JOM MASAK BERSAMA FIZO OMAR was rolled out featuring one of Malaysia's top celebrities. In support of JOM MASAK BERSAMA FIZO OMAR campaign, *F&N* Sweetened Condensed and Evaporated Milk also rolled out another three-month long marketing campaign to drive awareness and acceptance.

F&N continued its heritage in helping Malaysians enjoy treasured taste moments by introducing the "Gold Standard" and Teh Tarik Master, "Hang Tarik". At the HANG TARIK *F&N* campaign, *F&N* brought experiential events to fans by sharing the best recipe of a perfect *F&N* Raya Gold Standard Teh Tarik Ori using the popular *F&N* Sweetened Condensed Milk and *F&N* Evaporated Milk.

TEAPOT

TEAPOT rolled out a series of new products this year. First in the pipeline was the launch of *TEAPOT* Evaporated Filled Milk, an extension of the evaporated filled milk with a unique slightly salty profile. In October, *TEAPOT* Gold Sweetened Creamer, fortified with additional functional benefits (vitamins A, B1, D3) was also launched. To further widen penetration of the out-of-home segment, this September, *TEAPOT* also introduced the *TEAPOT* Kopi and Teh Tarik in 500g.

LIQUID MILK: NEW GROWTH PILLAR

F&N MAGNOLIA

F&N MAGNOLIA further entrenched its presence in the local UHT milk segment with *F&N MAGNOLIA* UHT milk. To create greater awareness and encourage trials, it rolled out the WHO DO YOU WANT TO BE campaign, tying up with a hit cartoon movie as part of its 360-degree campaign which included roadshows and samplings.

FARMHOUSE

FARMHOUSE continued to focus communication on freshness and creamy texture of its Australian-sourced milk in its above- and below-the-line advertising for its pasteurised and UHT milk. To increase brand awareness and drive trials, a series of promotions were ran including the *FARMHOUSE* DRINK, INDULGE & WIN that targeted both consumers and key retailers.

#1

F&N HIGH CALCIUM SWEETENED CONDENSED MILK

TEAPOT SWEETENED CREAMER

CANNED MILK

★ NEW ★ PRODUCTS

TEAPOT Gold Vitamin A, B1 & D3

TEAPOT Gold Ispit White Coffee

TARGET OUT-OF-HOME SEGMENT

DAIRIES

CORE MARKET

Thailand



DAIRIES THAILAND: RESULTS

Dairies Thailand continued to excel as the Group's best performing unit. This year, it booked a marginal increase in volume and 4% increase in revenue, to \$561m, owing mainly to higher consumer off-take particularly of *F&N MAGNOLIA* RTD milk, higher exports and stronger Thai Baht. In constant currency, Dairies Thailand would have recorded a 1% revenue growth. Boosted by lower input costs and favourable translation effects, PBIT surged 9% to \$73m. In constant currency, Dairies Thailand FY2017 PBIT grew 6%.

This year, Dairies Thailand posted marginal volume growth in its canned milk segment. Importantly, it continued to outperform its competition in the condensed milk and evaporated milk categories, achieving both volume and value share gains. Dairies Thailand better-than-market performance was due to successful consumer and trade programmes, as well as its focus on expanding distribution across the country. Accordingly, Dairies Thailand retained its No.1 total canned milk position in Thailand with *CARNATION* and *TEAPOT* brands.

Dairies Thailand export markets of Cambodia and Laos continued to perform strongly. This year, Dairies Thailand intensified its efforts to position *TEAPOT* as the preferred export brand, over third-party brands. As a result, *TEAPOT* is now widely distributed and is amongst the top canned milk brands in Cambodia and Laos.

Reflecting its confidence in Thailand's F&B segment, as well as to meet its growing export market demands, Dairies Thailand plans to add a gable top filling machine at its Pak Chong plant as well as a sweetened condensed milk pouch and tube filling line to its Rojana plant. These investments are in addition to a new filling and packaging line for

evaporated milk that it announced last year. The line commenced production in February 2016.

Looking ahead, Dairies Thailand will remain committed to tight cost control and focus on marketplace execution, as well as to invest for the long-term in its brands, assets and people. It will continue to fortify its market leading position in the canned milk category in Thailand while nurturing its position in the RTD liquid milk category with *F&N MAGNOLIA* (UHT milk segment) and *BEAR BRAND* (sterilised milk segment) through targeted marketing activities to drive the growth in the year ahead. Dairies Thailand will also continue to look to bolster its presence in the SEA region. It will continue to deepen and widen its distribution and reach, and build *TEAPOT* brand in Cambodia and Laos.

CANNED MILK

CARNATION

CARNATION, one of Nestle's brands licenced to F&N, maintained its No.1 canned milk position in Thailand. This year, *CARNATION* continued to drive in-home consumption by rolling out a new, smaller 140ml pack, supporting it with integrated marketing activities that included broadcast, outdoor and online advertisements, as well as roadshows and samplings. The successful campaign boosted *CARNATION* sales and market shares.

As a result of its efforts in the trade through loyalty campaigns in key channels, premium promotions and point-of-sale materials, *CARNATION* has retained its No.1 Premium Evaporated Milk brand with more than 60% market share.

The Nestle's trademark licence agreement was renewed in 2015 for 22 years, until 2037, for the manufacturing and distribution of Nestle's products in Singapore, Thailand, Malaysia, Brunei and Laos.



CEO BUSINESS REVIEW • DAIRIES CORE MARKET • Thailand

TEAPOT

After the introduction of the new 180ml *TEAPOT* squeezable tube in August last year, Dairies Thailand kicked off a series of marketing activities to create excitement and awareness. The full campaign included commercials across television, digital and mobile, extensive nationwide sampling and implemented various point-of-sales initiatives. As a result of the successful campaign, the new 180ml *TEAPOT* squeezable tube was sold out within days of its launch, further solidifying *TEAPOT* as the preferred Sweetened Beverage Creamer brand, achieving a higher market share.

LIQUID MILK: NEW GROWTH PILLAR

F&N MAGNOLIA and BEAR BRAND

After a successful entry into the functional UHT drink segment with the introduction of *F&N MAGNOLIA* Ginkgo Plus in 2015 and *F&N MAGNOLIA* Kids Milk for children in 2016, this year, Dairies Thailand focused on expanding distribution across the country while improving market activation to broaden its customer base.

A key highlight of the year was the celebration of *BEAR BRAND* Sterilised Milk 80th anniversary in Thailand. As part of the celebration, Dairies Thailand rolled out the INFINITE LOVE: 80 YEARS OF *BEAR BRAND* STERILISED MILK – TAKES CARE OF YOU NOW AND FOREVER campaign, at which it re-introduced three popular variants from the past, and *BEAR BRAND* Sterilised Milk High Folate, a new high folate formula with added vitamins, targeting health-conscious women. The 80th year celebration was supported by an integrated marketing campaign that included television commercial broadcast, outdoor and online advertisements, as well as roadshows, various point-of-sales activations and sampling activities.

Meanwhile, sales of *BEAR BRAND GOLD* increased with the introduction in June 2017 of a new variant – *BEAR BRAND GOLD* Goji Berry, as well as the appointment of a new brand ambassador. This new product was supported by television commercials and promotional activities highlighting the nutritional aspects of the milk, as well as massive in-store sampling in convenience stores to further boost brand visibility and encourage product trials.

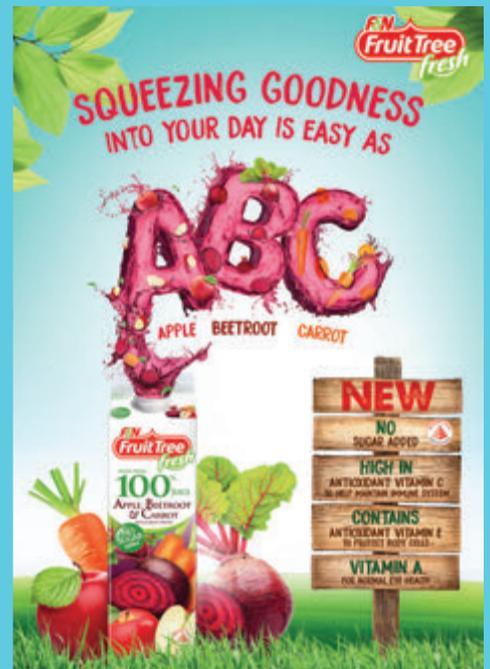
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DAIRIES

CORE MARKET Singapore



DAIRIES SINGAPORE: RESULTS

Dairies Singapore FY2017 revenue fell 6%, mainly due to lower Export volumes. Despite lower revenue, PBIT improved 17%, lifted mainly by lower input costs. Aided by effective brand building activities and new product launches, Dairies Singapore maintained its No.1 and No. 2 positions in the Liquid Milk and Chilled Juices categories, respectively.

Dairies Singapore continued to excite the market by introducing new products. This year, it extended its low-fat-hi-cal pasteurised milk range with the introduction of the new *F&N MAGNOLIA* Low-Fat Hi-Cal Chocolate Milk. *F&N FRUIT TREE* Fresh also launched its very own premium pasteurised juice range, *F&N FRUIT TREE* Fresh Wonders. The first chia seed juice drink to be launched in the local market, *F&N FRUIT TREE* Fresh Wonders incorporates the much-loved superfood, in addition to the antioxidant rich juice blends. These new products, supported by launch campaigns, generated positive response and helped boost sales and market shares.

LIQUID MILK AND YOGHURT DRINK: *F&N MAGNOLIA*

F&N MAGNOLIA celebrated 80 years of providing nourishment to Singaporeans this year. Over the decades, *F&N MAGNOLIA* has been a vanguard of nutrition, nourishing the body and mind with nutrients to kick-start the day. *F&N MAGNOLIA* has earned its reputation as Singapore's trusted brand of milk that is enjoyed by both young and old, across generations. Today, *F&N MAGNOLIA* continues to be a source of nourishment for many, offering an innovative range of milk products that cater to all palates and lifestyle needs.

To mark the occasion, it rolled out a month-long nationwide campaign, *MORNINGS WILL ALWAYS HAVE MAGNOLIA*, improving sales and market share. Following the month-long celebration, the Group extended its low-fat-hi-cal pasteurised milk range with the introduction of *F&N MAGNOLIA* Low-Fat Hi-Cal Chocolate Flavoured

Milk in Singapore. Packed with natural goodness of fresh milk, *F&N MAGNOLIA* Low-Fat Hi-Cal Chocolate Flavoured Milk fuels "your active lifestyle with the energy you need". It contains important nutrients like calcium and protein to help with muscle recovery and to replenish lost energy after exercising. Above-the-line communications, in conjunction with in-store roadshows, resulted in successful conversions to consumer purchases.

To excite consumers, *F&N MAGNOLIA* partnered with a popular Hollywood animated movie in its *MORNINGS MADE FUN WITH MAGNOLIA!* campaign. *F&N MAGNOLIA* used this campaign to build and own the breakfast occasion, reinforcing *F&N MAGNOLIA* as an important part of the daily breakfast routine. The integrated campaign included limited edition promotional packaging and collectibles, which was very well received by consumers.

JUICE: *F&N FRUIT TREE* FRESH

F&N continued to respond to consumers' desire for healthier beverage options by launching a new premium range of *F&N FRUIT TREE* Fresh in April 2017 – *F&N FRUIT TREE* Fresh Wonders Luscious Berries and *F&N FRUIT TREE* Fresh Wonders Zesty Lime. Made from 100% juice with no sugar added, *F&N FRUIT TREE* Fresh Wonders is bursting with antioxidant vitamins A, C and E, and contains organic chia seeds carrying omega-3 and -6. *F&N FRUIT TREE* Fresh Wonders is the first juice drinks with organic chia seeds to be launched in Singapore. This premium range boosted sales and gained brand value market share.

In addition to rolling out new products, the *F&N FRUIT TREE* Fresh range of products also created buzz in the marketplace by updating its logo and packaging design. The refreshed logo and packaging design convey *F&N FRUIT TREE* Fresh unique product features to create differentiation and strong shelf presence. The refreshed design features a vibrant new colourway, resulting in a visually striking and contemporary new *F&N FRUIT TREE* Fresh logo.



DAIRIES

ICE CREAM

SWEET INSPIRATIONS TOUR

king's ice cream

WITH DATO' FAZLEY YAKOB

<p>19 MARCH SEREMBAN Mydin Senawang Mydin Seremban 2</p>	<p>5 MAY KEDAH Mydin Taman Saga Mydin Taman Batik</p>
<p>26 MARCH JOHOR Giant Plentong Giant Tampoi</p>	<p>21 MAY PAHANG TMG Indera Mahkota 16 Giant Kuantan</p>
<p>29 APRIL TERENGGANU Giant Kuala Terengganu Mydin Gong Badak</p>	

 @fazleyyakob



#1 POTONG BRAND
IN SINGAPORE
AND MALAYSIA



SMU MARKETING SOCIETY presents

F&N
ice cream
BRAND CHALLENGE
2017



DAIRIES ICE CREAM: OVERVIEW

F&N's Ice Cream division has commercial operations in 11 countries (primarily in Malaysia, Singapore and Thailand), with well-established and trusted brands like *F&N MAGNOLIA*, *KING'S* and *MEADOW GOLD*. The commercial operations are supported by two manufacturing plants in Malaysia and Thailand. This year, through continuous product innovation, Dairies Ice Cream continued to excite its consumers by introducing new variants in the various markets. The Group remained strong in the value tub and Asian flavours categories, while expanding its footprint in premium categories through collaboration with principal brands.

SINGAPORE

This year, *F&N MAGNOLIA* Gotcha, catered for children, extended its healthier choices by introducing the *F&N MAGNOLIA* Gotcha Jelly Cool in Singapore. The all-new *F&N MAGNOLIA* Gotcha Jelly Cool comes with a sweet and creamy vanilla ice confection enveloping a jelly core bursting with the taste of strawberries, free of trans-fat and low in calories. *F&N MAGNOLIA* Gotcha Jelly Cool carries the Healthier Choice Symbol by Singapore's HPB, just like the rest of its other variants.

One of the key marketing initiatives this year was the rollout of F&N ICE CREAM BRAND CHALLENGE 2017 in Singapore. In collaboration with the SMU Marketing Society, the campaign aimed to help preserve the iconic Singapore ice cream pushcart. This challenge involved the next generation of Singaporeans leading the way in revamping the iconic ice cream pushcart and its business model, while retaining the appeal of the ice cream cart as a national icon. F&N plans to rollout the new cart design during the Christmas festive season.

Recognising the increasing importance Singaporeans attach to well-being and health, F&N plans to roll out more "Healthier Choice Snack" in Singapore.

KING'S Potong remains Singapore's No.1 Potong brand. This year, back by popular demand, *KING'S* Potong re-introduced the *KING'S* Potong Gold Mao Shan Wang as a limited-edition variant. In addition to *KING'S* Potong Mao Shan Wang, F&N ice cream division also launched several new products including the *KING'S* Spinner Chocolate and *KING'S* Spinner Vanilla.

THAILAND

Continuing to capitalise on consumers' growing demand for impulse ice cream in Thailand, Ice Cream division focused its new launches this year on single portion stick ice cream. Inspired by local Thai fruit, two new flavours *F&N MAGNOLIA* Sawasdee Durian and *F&N MAGNOLIA* Sawasdee Mango were launched as a limited-edition range during the harvest season.

Targeting the kids segment, *F&N MAGNOLIA* Gotcha, the colorful and fruity flavours ice cream, extended its offering by introducing the *F&N MAGNOLIA* Gotcha Chocolate Malt Crunch, *F&N MAGNOLIA* Gotcha Jelly Cool, *F&N MAGNOLIA* Gotcha Jelly Strawberry and *F&N MAGNOLIA* Gotcha Milky Volcano in Thailand. Similarly, *F&N MAGNOLIA* Tropical Sling continued to invigorate consumers' senses with a burst of fruity flavour by introducing the *F&N MAGNOLIA* Tropical Sling Young Coconut and *F&N MAGNOLIA* Tropical Sling Honey Lemon.

As one of the top three players in this market, F&N will continue to invest in brand building activities and product innovation to drive demand and grow market shares.

MALAYSIA

Malaysia continued to focus on creating new opportunities and exploring new channels to drive sales and increase market shares.

F&N Ice Cream maintained its position as one of the top 3 ice cream brands in Malaysia, by staying relevant and having high brand awareness and top of mind recall among consumers. Throughout the year, F&N ice cream drove sales opportunities and brand recall by having thematic roadshows in various hypermarkets; and engaging the end consumers directly. Also, recognising the opportunity in the *KING'S* cones, a complementary product, F&N explored new channels and consumer base with placements of *KING'S* cones racks. *KING'S* cones successfully increased its share of space in existing supermarkets and created new space in convenience stores.

This year, *KING'S* Potong ice cream cemented its position as the No.1 potong ice cream brand in Malaysia on the back of successful marketplace execution and effective marketing campaigns.

In the kids segment, the *F&N MAGNOLIA* Gotcha range extended three new offerings with the introduction of the *F&N MAGNOLIA* Gotcha Choco Volcano, *F&N MAGNOLIA* Gotcha Buggy and *F&N MAGNOLIA* Gotcha Sword. These new offerings, with distinct and differentiated tastes, were launched nationwide in Malaysia.

Back by popular demand, *KING'S* Potong re-introduced its premium *KING'S* Potong Mao Shan Wang variant to the delight of Malaysians. *KING'S* Potong Mao Shan Wang were strategically placed in the marketplace to capitalise on the growing demand for durian by tourists.