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DAIRIES

Amidst a challenging environment of higher milk-based commodities prices, Dairies businesses in Malaysia, Singapore and Thailand turned in mixed performances this year. Overall, Dairies profit fell 5% despite recording strong topline growth of 6%.

In Malaysia, the successful re-positioning of the Group's brands in the canned and liquid milk categories has led to stronger volume growth. This year, domestic volume growth for both the Sweetened Condensed Milk ("SCM") and Evaporated Milk ("EVAP") categories continued unabated, ahead of the industry growth rate. Other factors such as lower input costs, conversion cost savings arising from the best-in-class Pulau Indah plant, better receivable management and non-recurring expenses in FY2013 have enabled Dairies Malaysia earnings to jump 25%. Excluding the non-recurring expenses, its FY2014 PBIT improved 8%, despite a weaker Ringgit.

Dairies Thailand registered topline growth of 12%, driven by stronger domestic and export sales, favourable sales mix and increased outlet penetration and presence. While savings from operational efficiencies and effective spending on advertising and promotions have helped cushion the impact of higher

prices of milk-based commodities and pricing control by the Thai government, Dairies Thailand saw FY2014 PBIT decline 4%.

To meet the growing demand for canned milk, the production capacity of the manufacturing plant in Rojana, Thailand has been upgraded. Capacity for EVAP milk has been upped from 700 to 1,100 cans per minute, thus increasing supply by 300,000 cases a month. Likewise,

the number of production lines for SCM has been doubled from four to eight, increasing supply by 400,000 cases a month. On top of that, the installation of automated packing has relieved problems of labour shortage.

In Singapore, while the Group has successfully retained leadership positions in our key brands, registering higher sales of 3%, PBIT was adversely impacted by a one-off adjustment.



	Malaysia	Thailand
Volume	+7%	+18%
Revenue	+4%	+12%
Profit Before Interest & Taxation	+25%	-4%

Total Volume

↑ 6%

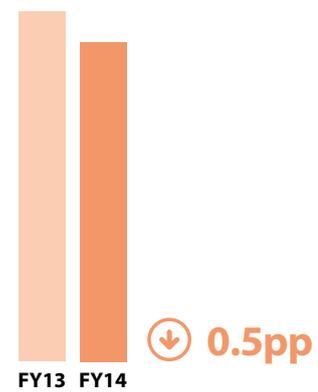
Total Revenue

↑ 6%

Total Profit Before Interest & Taxation

↓ 5%

Profit Before Interest & Taxation Margin (%)



Market Positions of Core Brands



F&N



F&N TEA POT

Malaysia



Thailand



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F&N MAGNOLIA

In keeping with F&N's brand promise of "Pure Enjoyment. Pure Goodness", F&N MAGNOLIA's latest "Drink Milk Fresh" campaign educated consumers on the importance of enjoying milk at its freshest. Consumers were encouraged to purchase twin 1-litre packs instead of 2-litre bottles so that the freshness of milk can be enjoyed by consuming it within three days of opening, in accordance with the recommendation of Agri-Food and Veterinary Authority of Singapore.

After attaining the Singapore Institute of Food Science & Technology Healthier Choice Award 2013 - 2015 last year, F&N MAGNOLIA Lo-Fat Hi-Cal Milk with Omega-3 DHA went on to represent Singapore in the International Union of Food Science and Technology Global Food



Industry Awards held in Canada, and successfully bagged the award of Special Mention: Category of Communicating Science Related to Consumers. This award rewards excellence in communicating science-related knowledge to consumers aimed at improving their lifestyle.

The new flavour F&N MAGNOLIA Lo-Fat Hi-Cal Chocolate Milk with Omega-3 DHA has been well-received by consumers. Since its launch in October 2013, there has been a 27% increase in sales of F&N MAGNOLIA's chocolate flavoured milk portfolio, with this new variant contributing 33%.





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In Singapore, F&N leads the pasteurised yoghurt drink category with double-digit volume growth this year. *F&N MAGNOLIA* Yoghurt Smoothie range is the only yoghurt drink with chewy fruit bits and is made from non-fat yoghurt and real fruit juice. It is rich in BioLive™ cultures which is a specially formulated ingredient containing live probiotics to maintain a healthy digestive system. This product range was enhanced with the addition of *F&N MAGNOLIA* Yoghurt Smoothie Apple with Pear Bits in February 2014.

In Malaysia, *F&N MAGNOLIA*, together with its sister brand *FARMHOUSE*, continued on its growth path with packaging updates, continual tactical on-ground activations and outdoor advertising. These reinforced *F&N MAGNOLIA*'s brand presence and drove sales for both its pasteurised and sterilised milk categories. In particular, *F&N MAGNOLIA* sterilised milk achieved a 43% volume increase during the Deepavali and Thaipusam festivals as a result of strategic communication campaigns.



1 *F&N MAGNOLIA* "Drink Milk Fresh" campaign
 2 *F&N MAGNOLIA* Lo-Fat Hi-Cal Milk with Omega-3 DHA
 3 *F&N MAGNOLIA* "Drink Milk Fresh" campaign



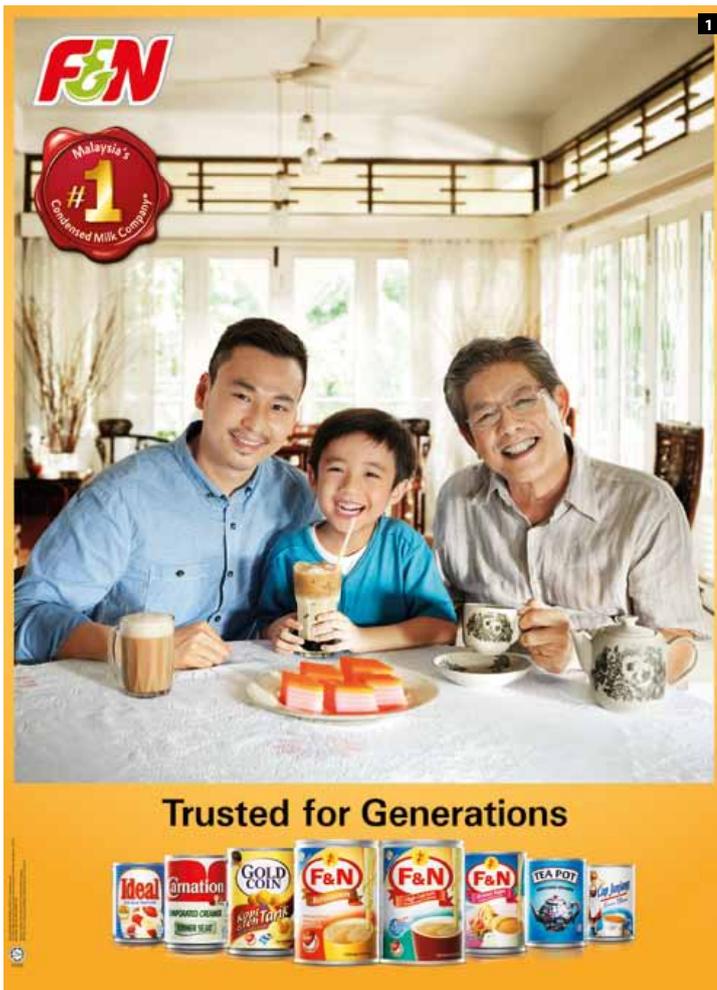
4 *F&N MAGNOLIA* Yoghurt Smoothie Apple with Pear Bits
 5 Launch of *F&N FRUIT TREE FRESH* Yuzu Mixed Juice Drink



F&N FRUIT TREE FRESH

To enhance its product offering, F&N introduced the new *F&N FRUIT TREE FRESH* Yuzu Mixed Juice Drink, which is packed with vitamin C and uses fresh yuzus imported directly from Japan. A fully-integrated campaign emphasising the Japanese origins of this juice was activated, including event sponsorship, out-of-home advertising and in-store sampling. Consumer roadshows held over the weekends drove sales of *F&N FRUIT TREE FRESH* Yuzu Mixed Juice Drink, realising an average of five times incremental sales.

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- 1 F&N #1 campaign 3 KING'S Tic-Tac-Toe and Carnival
2 F&N TEA POT 4 Launch of JWEL



F&N is the undisputed leader in the canned milk segment in Malaysia, led by its key brands *F&N* and *F&N TEA POT*.

F&N Canned Milk

Through the execution of tactical communications and consumer activities, F&N has successfully maintained its market leadership positions in Malaysia and Thailand's canned milk segment.

F&N is the undisputed leader in the canned milk segment in Malaysia, led by its key brands *F&N* and *F&N TEA POT*. *F&N* reinforced its close association with the daily lives of its consumers when it invited them to submit their most-loved family recipes using *F&N* canned milk. *F&N* has also established its synonymity with *Teh Tarik*, the tea that is ingrained in the culture of Malaysians. This year, it continued to host "Cabaran Raja Tarik", a nationwide competition where masters of *Teh Tarik* pit their gravity-defying skills against one another. To sustain its Number 1 position in both SCM and EVAP milk categories and to drive volume for both on-premise and end-consumers, *F&N* intensified its trade marketing activities, outdoor advertising efforts and on-ground consumer promotions.

F&N TEA POT

This year, Dairies Thailand focused its efforts on widening and deepening distribution of *F&N TEA POT* throughout the country. The "Happiness Thailand" campaign targeted at hawkers and business operators demonstrated the various applications for *F&N TEA POT*. Besides above and below-the-line promotions, the highlight of the year was the decoration of hawker push-cart stalls in *F&N TEA POT* livery. While increasing brand visibility, this campaign successfully recruited 6,000 hawkers, a 100% increase from the previous year, and doubled the number of distributor outlets to over 89,000. Consequently, domestic sales of the SCM and EVAP range surged by 32% and 106%, respectively.



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Ice Cream

F&N launched *JWEL*, a range of premium chocolate-coated ice cream sticks, in Singapore in December 2013. Part of its integrated marketing campaign included a specially customised public bus, “The *JWEL* Royal Ride”, which had its interiors transformed to resemble a grand hall, accompanied by court jesters and local radio deejays. This campaign created substantial media buzz and social media interest among consumers.

In Malaysia, F&N re-launched the 36-year old *KING'S* range of tub ice cream with a new packaging and two new flavours, Tic-Tac-Toe and Carnival, supported by dessert making workshops conducted nationwide to generate interest and drive volume.

For the 3rd consecutive year, F&N's ice cream unit in Thailand was bestowed the highly prestigious Thai FDA Quality Award 2014 by Thailand's Food and Drug Administration. Dairies Thailand also received this award for the 2nd year running. Both units were recognised for their exceptional standards in product quality and safety control, manufacturing practices, customer relations and corporate social responsibility.



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Looking Ahead

Through years of investment in branding, innovation and operational excellence, F&N has maintained leading positions across our key brands. In the year ahead, the Group will intensify brand-building initiatives in our core brands such as *100PLUS* and *F&N NUTRISOY*.

The Group's partnership with ThaiBev has, and will continue to allow us to reap the benefits of synergistic collaboration, through research and development, procurement, marketing and distribution alliances. The distribution of *Oishi*, which began in Malaysia in 2013, will be extended to Singapore in 2015. In the new year, we will also work together with ThaiBev to market *100PLUS* and *F&N NUTRISOY* in Thailand, as well as build and strengthen our route-to-market to deepen and widen our presence in new and existing markets to support Vision 2020.

We remain cautious on market outlook as the challenges faced by regional economies such as inflationary pressures, volatile commodity prices and weakened foreign currencies look set to continue in the new year. However, we are optimistic that our strong financial position, diverse portfolio of brands and strategies for maintaining our leadership positions will put us in good stead to seize growth opportunities in Southeast Asia.