

CEO Business Review • Food & Beverage • Dairies

Core Market

SINGAPORE

Market Positions

Number

1



Juice

Number

2



Liquid Milk

Despite recording a revenue decrease of 2% due to lower export sales, Dairies Singapore earnings jumped 36% on the back of lower input costs.

LIQUID MILK AND YOGHURT DRINK: F&N MAGNOLIA

As the trusted milk brand in Singapore, F&N MAGNOLIA extended its successful “Drink Milk Fresh” campaign, which was first launched in 2014, in May 2015. The campaign advocates the importance of drinking milk at its freshest, within three days of opening, which is in line with the recommendation of Singapore’s Agri-Food and Veterinary Authority. F&N MAGNOLIA encouraged

consumers to drink from twin 1-litre packs instead of 2-litre packs to enjoy milk at its freshest. To create further brand impact and consumer engagement, F&N MAGNOLIA travelled to various housing estates in its roving milk truck for consumers to exchange their empty 2-litre milk bottles for a free F&N MAGNOLIA 1-litre pack.

To commemorate Singapore’s golden jubilee, F&N MAGNOLIA, with its 78 years of heritage, launched a limited edition packaging featuring an illustration of the iconic triangular pack reminiscent of the 1960s, supported by in-store activations and promotions. The brand, together with F&N Sparkling Drinks, were official

Volume (%)

▲4%



Revenue (%)

▼2%



Profit Before Interest & Taxation (%)

▲36%



Profit Before Interest & Taxation Margin (%)

▲1pp



partners of the local blockbuster movie “1965”. These activities helped to reinforce the brand’s image as a trusted and well-established brand.

In the yoghurt space, *F&N MAGNOLIA* Yoghurt Smoothie launched the “Best of Both Worlds” campaign to highlight its twin benefits – 100% tastier and 100% healthier – to youths, engaging them via print and social media where they could submit photographs portraying their serious and wacky sides. On-ground activation was an *F&N MAGNOLIA* photo booth where fans took pictures and shared them on social media. This campaign created immense buzz for the brand and encouraged trials amongst its target audience.

JUICE: F&N FRUIT TREE FRESH

To inject excitement in its juices portfolio, *F&N FRUIT TREE FRESH*’s “Live Juicy” campaign aimed to bring across the message of nourishing its consumers in a fun and light-hearted manner. Key visuals portrayed the freshness of ingredients, energetic juice splashes and a sense of fun. The brand also leveraged its partnership with a popular Hollywood animated movie to increase brand visibility, lifting sales at consumer roadshows by over sixfold.

F&N FRUIT TREE FRESH also promoted more ways to consume its juices by distributing recipe cards of juice concoctions, and prepared and served these concoctions to consumers at the *F&N FRUIT TREE FRESH* juice carts at roadshows.



- 01 “Drink Milk Fresh” campaign
- 02 *F&N MAGNOLIA*’s mascot and local artistes spreading the message of drinking milk at its freshest
- 03 “Live Juicy” campaign
- 04 *F&N MAGNOLIA*’s “Inside Out” milk cartons
- 05 “Best of Both Worlds” campaign
- 06 *F&N MAGNOLIA* Yoghurt Smoothie

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Core Market

THAILAND

Market Position

Number

1



Canned Milk

Dairies Thailand, excelling as the Group's best performing unit, booked a 7% increase in volume and 10% increase in revenue, to \$521m, owing mainly to higher consumer off-take particularly of its key brands *TEAPOT* and *CARNATION*, increased outlet penetration and coverage, and effective promotional and trade management activities. Lower input costs and trade discounts, as well as improved performance in its trade distribution service further boosted Dairies Thailand earnings by 34% to \$41m.

CANNED MILK: CARNATION

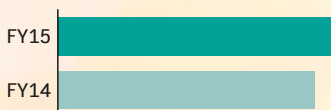
CARNATION maintained its No. 1 premium canned milk brand in Thailand by actively engaging trade and end-consumers. This year, building on *CARNATION*'s branding as the preferred choice of food gurus, Dairies Thailand rolled out a TV commercial fronted by a renowned chef promoting the use of *CARNATION* in famous international dishes.

To further increase brand visibility and reinforce *CARNATION*'s premium brand image, Dairies Thailand started to engage popular restaurants and coffee shops nationwide to help elevate the standards of the food outlet's dishes and drinks.

Volume (%) ▲ 7%



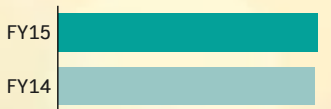
Revenue (%) ▲ 10% (+17%¹)



Profit Before Interest & Taxation (%) ▲ 34% (+42%¹)



Profit Before Interest & Taxation Margin (%) ▲ 1pp



¹ In constant currency



Coupled with loyalty campaigns for its key channels and attention-grabbing in-store promotional and product displays, *CARNATION* recorded double-digit volume growth in both Sweetened Condensed Milk (“SCM”) and Evaporated Milk (“EVAP”) categories. Market share was at a record high of 70% for EVAP and over 30% for SCM.

CANNED MILK: TEAPOT

Higher consumer off-take brought about by effective trade management and promotional campaigns has seen sustained market share for *TEAPOT*. *TEAPOT* EVAP has seen a growth in its share of the convenience channel, while *TEAPOT* SCM managed to

maintain its market share despite increased price competition.

In its efforts to increase brand visibility and convert more consumers, Dairies Thailand continued to engage street hawkers to decorate their hawker stalls and mobile carts in *TEAPOT* livery. In FY2015, a record number of street hawkers were recruited nationwide through this campaign, effectively increasing the number of distributors and distribution outlets. In another marketing campaign, Dairies Thailand engaged street hawkers by offering a redemption programme where packaging labels were swapped for pre-paid



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- 01 *CARNATION* canned milk
- 02 *CARNATION* cooking demonstration
- 03 *TEAPOT* canned milk



01



03

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Core Market THAILAND

mobile phone cards. Employing television and print advertising, this redemption campaign garnered widespread participation totalling 534,000 entries.

In August 2015, the Group embarked on a packaging revamp

for *TEAPOT* to align its design across ASEAN. Beginning with Dairies Thailand, the new labels were rolled out and introduced via above- and below-the-line campaigns. This packaging revamp has also started in Dairies Malaysia in FY2016.



LIQUID MILK: F&N MAGNOLIA

To tap into Thailand's growing UHT milk segment, the Group launched its first functional UHT milk in May 2015. *F&N MAGNOLIA* Ginkgo Plus, the first in the market to include ginkgo in milk, offers the additional benefit of improving cognitive function and enhancing memory with the addition of ginkgo extract and vitamin B12, on top of the nourishing goodness of milk. Launched in three flavours of plain, chocolate and white malt, in 180ml tetra pack sizes, an integrated marketing campaign was employed to build brand awareness. Besides successful

above-the-line advertising and in-store promotions, a massive sampling exercise reaching over 1 million consumers nationwide successfully placed the brand at the No. 3 position in the 180ml-pack size segment within four months of its launch.



03



04



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- 01 *TEAPOT* billboard advertisement
- 02 Street hawker cart decked in *TEAPOT* livery
- 03&04 *F&N MAGNOLIA* Ginkgo Plus in-store sampling
- 05 *F&N MAGNOLIA* Ginkgo Plus in-store display
- 06 *F&N MAGNOLIA* Ginkgo Plus advertisement



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Core Market

MALAYSIA

Market Position

Number

1



Canned Milk

Volume (%)

▲7%



Revenue (%)

▼4% (+2%¹)



Profit Before Interest & Taxation (%)

▲33% (+41%¹)



Profit Before Interest & Taxation Margin (%)

▲3pp



¹ In constant currency

Favourable sales mix coupled with effective brand building and trade management activities boosted the continuing growth of Dairies Malaysia's canned milk brands. Overall volume for its SCM and EVAP categories registered strong growth. However, due to higher trade discounts in view of lower input costs, and weaker Malaysian ringgit, Dairies Malaysia recorded a 4% decline in FY2015 revenue.

Despite the negative foreign exchange translation effects, Dairies Malaysia PBIT improved 33%, to \$36m, due to lower input costs, particularly for skimmed milk powder, as well as continuous realised cost savings from improved operational efficiencies.

Building upon the rebranding success of its SCM and EVAP categories, Dairies Malaysia capitalised on its number 1 canned milk market position to further cement consumer awareness. At the same time, it consolidated its position in the on-premise segment by encouraging out-of-home consumption, whilst strengthening the frequency of in-home consumption through demonstrating food and beverage applications.

CANNED MILK: F&N

This financial year, Dairies Malaysia re-introduced *F&N* Full Cream Sweetened Condensed Milk, an integral ingredient in many beverages and dishes that Malaysians are familiar with. Addressing the gap in the full cream SCM segment, where only highly-priced imported full cream



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SCM was available previously, Dairies Malaysia became the only local company to offer Malaysians premium quality condensed milk at an affordable price. With *F&N* Full Cream Sweetened Condensed Milk, Dairies Malaysia not only expanded its product offering, but also demonstrated food and beverage applications to encourage higher consumption and drive sales.

For the purpose of brand rejuvenation, packaging labels for the *F&N* range of SCM and EVAP have been updated. A four-month nationwide campaign, which included in-store displays across 720 outlets, print, billboard and broadcast advertising, consumer and trade promotions, was conducted to drive consumer trials and promote awareness of the new packaging.

Upholding *F&N*'s leadership position in the canned milk segment while simultaneously helping to preserve Malaysia's *teh tarik* culture, Dairies Malaysia organised "Cabaran Raka Tarik *F&N*" for the 10th time. Held annually, this popular tea-pulling competition gathered interest and participation from all over Malaysia and reinforced *F&N* canned milk as the brand of choices for both trade and end-consumers.

Dairies Malaysia has been driving in-home consumption by positioning its range of canned milk as the ideal ingredient in dishes and beverages that can be prepared at home. On top of making available its in-house recipes, it also partnered several renowned celebrity chefs in a series of cooking workshops to demonstrate

their culinary creations using *F&N*, *IDEAL* and *CARNATION* to inspire many others to prepare similar meals at home.

CANNED MILK: CARNATION

As the leading EVAP milk brand in Malaysia, *CARNATION* has established itself as the perfect accompaniment to a variety of savoury and sweet dishes. For the third consecutive year, the "*CARNATION* Quick Kitchen" mobile kiosk was brought back to busy train stations on weekday mornings, to offer commuters a range of hot beverages and breakfast meals prepared with *CARNATION*. This year, the mobile kiosk also ventured into 12 wet markets over the weekends from May to September 2015. Long queues formed for not just breakfast meals, but also free recipe books and heavily discounted *CARNATION* canned milk.

“Dairies Malaysia capitalised on its No. 1 canned milk market position to further cement consumer awareness.”



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- 01 *F&N* Evaporated Milk
- 02 *F&N* Sweetened Condensed Milk
- 03 Celebrity chef cooking workshop
- 04 *CARNATION* canned milk advertisement
- 05 *CARNATION* canned milk in food applications

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Core Market MALAYSIA

LIQUID MILK: F&N MAGNOLIA

This year, Dairies Malaysia continued to focus on brand building for *F&N MAGNOLIA*, one of F&N's core brands. *F&N MAGNOLIA* Lo-Fat Hi-Cal pasteurised milk was re-introduced with a new and improved formulation – vitamin D for better calcium absorption by the body and improved bone strength. Targeted mainly at females due to its unique formulation, the product also contains 76% less fat, high calcium and nine essential vitamins for overall well-being. Supported by on-ground activation where consumers could exchange milk cartons of any brand for the new *F&N MAGNOLIA* Lo-Fat Hi-Cal in-store sampling and premiums to drive conversion, average monthly sales for this variant increased by 39% in four months ended September 2015.

In addition to exciting the ready-to-drink (“RTD”) milk segment with new product launches, the Group also updated the packaging of *F&N MAGNOLIA* range with a more contemporary, visually appealing look.

In conjunction with World Milk Day 2015, *F&N MAGNOLIA* implemented its biggest on-ground nationwide campaign, “Milk Mooves Malaysia” targeting more than 40 retail malls in over a three-week period. *F&N MAGNOLIA* aimed to cultivate a culture of drinking milk by emphasising the importance of drinking milk for nutrition and growth. Incorporating experiential and engaging activities for children, a book donation drive for underprivileged children and in-store promotions with customised gifts, the campaign successfully increased its brand profile amongst consumers.

LIQUID MILK: FARMHOUSE

The UHT milk segment in Malaysia has the largest RTD milk market size, surpassing the pasteurised and sterilised milk segments. In order to tap into the UHT milk segment, as well as increase its RTD milk offering to consumers, Dairies Malaysia introduced *FARMHOUSE* UHT milk, an extension of its 100% Australian fresh milk range which is already available in Malaysia. Launched as a premium imported UHT milk in June 2015, sale of *FARMHOUSE* UHT milk sales has far exceeded expectations through successful on-ground activations.



01



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- 01 *F&N MAGNOLIA*'s “Milk Mooves Malaysia” campaign
- 02 *F&N MAGNOLIA*'s Lo-Fat Hi-Cal launch
- 03 *MEADOW GOLD*, *F&N MAGNOLIA* Gotcha, *KING*'s Potong and 1.2L tub
- 04 *JWEL*



CEO Business Review • Food & Beverage • Ice Cream

ICE CREAM

F&N's Ice Cream division is operational in Singapore, Malaysia and Thailand, with well-established brands *F&N MAGNOLIA*, *KING'S*, *MEADOW GOLD*, and premium brand, *JWEL*. Through constant innovation and renovation, new products and variants have been launched in the various markets this year. The Group remains strong in the value tub and Asian flavours categories, while building its share in the premium chocolate-coated ice cream sticks and premium tub categories.

Singapore

Following the launch of *JWEL* in December 2013, three new flavours were added to this range of premium chocolate-coated ice cream sticks in March 2015. Part of its integrated marketing campaign which included out-of-home advertising and in-store roadshows was the distribution of 17,500 sticks of *JWEL* ice cream at the leading hypermarket chains in Singapore.

MEADOW GOLD was re-launched in 1Q2015 with four new flavours and an updated packaging to give it a more premium look. In March, sampling, games and premiums giveaways were used to build further brand awareness in both the busy business and shopping districts as well as housing estates. *KING'S* Potong, a well-established brand which offers consumers familiar Asian flavours, added a new *Cempedak* flavour to its range, and paired it with the popular Red Bean flavour in a multipack to offer drive trials and awareness.

Malaysia

JWEL was launched in December 2014 to very good response from consumers. Supported by consumer roadshows in school campuses and shopping malls, social media campaign and in-store advertising, sales spiked to hit first-year targets within six months.



03

Focusing on the value tub segment, *KING'S* partnered a celebrity chef to develop 12 dessert recipes with *KING'S* ice cream. The campaign included nationwide roadshows, specially designed Chinese New Year and Hari Raya festive packs, in-store media investment over a period of nine months across Malaysia and a joint promotion with the chef's cafe to promote *KING'S* 1.2L tub range of ice cream.

Thailand

Similarly in Thailand, several new products were introduced this year. Two new flavours, Apple Burst and Berry Blast, were added to the *F&N MAGNOLIA* Tropical Sling range, while Sea Turtle and Whale Shark were added to the kids range under *F&N MAGNOLIA* Gotcha Marine. A new coconut flavour made with fresh coconut milk was added to the *F&N* Mag-A-Cone range.



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