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NEW MARKETS

New Markets FY2017 performance varied across geographies, where each market presented different consumer dynamics and a different outlook, but increasing level of competitive intensity. Despite that, across the geographies, our core brands, *100PLUS* and *OISHI*, had another strong year. Overall, New Markets FY2017 revenue improved 74%, led mainly by strong volume growth in Indonesia and Myanmar.

The focus on SEA region remains a key part of F&N's march toward becoming a leading F&B player in ASEAN. Since 2015 when the Group unveiled its Vision 2020 business plan, F&N has identified Indonesia, Myanmar, Thailand and Vietnam as its key new markets; as well as identified core brands to capture clearly defined market opportunities in these new markets to grow its brands and presence. F&N believes that the consumer fundamentals in these markets are promising as the SEA region presents a sizeable potential with over 600 million population.

Since its entry into New Markets, F&N has been introducing products that are of the highest growth categories and consumer opportunities. Across the various regional markets, its core brands of *100PLUS*, *F&N SEASONS* and *OISHI* are now available for sale. Through activation events and strategic sponsorships, F&N was able to gain brand awareness and product trials. In addition to organic growth, it will also seek growth through selective acquisition so as to leverage the emerging middle-class opportunity. This year, it further added about 7.79% stake in Vinamilk, giving it a strategic position in the largest dairy company in Vietnam. As at FY2017, the Group owned about 18.74% of Vinamilk. For Indonesia, F&N acquired full control of Yoke Food Industries Sdn Bhd ("**YFI**") in December 2016.

(A) INDONESIA

YFI's presence in Indonesia helps propel the Group's presence in this key growth market which has a population of more than 260m people and a fast-growing emerging middle-class.

PERFORMANCE

F&N's investment in YFI heralds its next phase of growth, as it boosts the Group's capacities and capabilities and deepens its presence in high-growth markets of Indonesia and Indochina. A Malaysia-based company that manufactures, markets and distributes canned beverages in Malaysia, YFI also exports to Indonesia and Cambodia, under the *DAYDAY* brand. Besides securing YFI's production capacity in the fast-growing, non-carbonated beverages segment, teaming up with YFI also offers an increased opportunity for the distribution and marketing of our brands in Indonesia and other Southeast Asian markets. Together with YFI, the Group will benefit from greater scale and from the broader portfolio of brands, and strengthen F&N's position as a leading F&B player in ASEAN.

This year, the Group has been focusing on consolidating its operations in Indonesia, including streamlining its diverse portfolio of differentiated brands, which it would strategically deploy to capture market opportunities in Indonesia. Riding on *DAYDAY*'s popularity in the Sumatra cities, the Group has been expanding its product offerings in Indonesia to include *100PLUS* and *F&N Sparkling Drinks*.

In addition to expanding its product offerings in Indonesia, F&N has also teamed up with YFI to expand its presence in other key cities like Jakarta and Surabaya. The additional

product offerings and entry into new cities were supported by marketing and sales programmes such as participation in car free day activation and consumers activation during fasting month to drive trials and recruit consumers.

Moving forward, F&N will continue to seek growth through investment in our brands and extend route-to-market capabilities, and by strategic acquisitions to broaden and deepen our footprint in Indonesia.

(B) MYANMAR

The effect of unfavourable weather conditions, socio-economic instabilities, and an increasing competitive landscape in Myanmar have impacted disposable income and weakened consumer sentiments. Accordingly, this has led to a weakening of the carbonated soft drinks and isotonic segments in Myanmar. Nonetheless, with the country's growing middle-class population and its government's recent efforts in strengthening its legal and regulatory framework, Myanmar will continue to present immense opportunities for the Group.

PERFORMANCE

Since the first introduction of *100PLUS* Original and *100PLUS* Lemon Lime, *100PLUS* has grown from strength to strength, to become the No.1 isotonic drink in Myanmar. Leveraging *100PLUS*'s strong brand equity, this year, the Group expanded its beverage offerings in Myanmar to include *100PLUS ACTIVE*, a non-carbonated variant of *100PLUS* and *100PLUS* Original, in 390ml PET. The launch was supported by aggressive on-ground activations and sponsorships, focusing on sports-related campaigns targeting younger generations.

CEO BUSINESS REVIEW • BEVERAGES

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★ NEW ★ PRODUCTS



MYANMAR

One of the key marketing campaigns this year was the sponsorship of the 29th SEA Games. As the official isotonic drink sponsor, *100PLUS* extended its GO FOR GOLD campaign which was implemented in 2013. The campaign highlighted the national team, using online and on-ground activations, to rally support for the Burmese athletes.

In addition to the SEA Games sponsorship, *100PLUS* continued to raise its brand visibility and reinforce *100PLUS* as the enabler for active lifestyles by supporting some of the nation's major running events, such as the YOMA INTERNATIONAL MARATHON in Yangon, the MANDALAY MAYOR'S RUN in Mandalay, the TAUNGGYI MARATHON in Shan, and the BAGAN INTERNATIONAL RUN in Bagan. As the Official Partner of the Myanmar Football Federation, *100PLUS* organised the MFF U-15 *100PLUS* Cup 2017 tournament, the biggest youth football competition tournament in Myanmar, for youths under the age of 15.

Riding on *100PLUS*'s success, this year, the Group introduced its vibrant and fun-tasting range of F&N Sparkling Drinks, as well as *TEAPOT GOLD*, its premium range of canned milk, to good response.

While F&N expects competition in Myanmar to intensify further, it is moving forward in 2018 with its strategy to seize an even larger share. F&N looks to build and broaden its product offerings, as well as deepen and extend its route-to-market capabilities to fortify its position in Myanmar.

(C) THAILAND (SOFT DRINK)

The FMCG industry in Thailand faced a tough year in 2017 following the passing of King Bhumibol Adulyadej of Thailand. The overall sentiment of consumers has been weak with consumption frequencies declining across all sectors of FMCG. Accordingly, the non-alcoholic ready-to-drink market in Thailand saw a decline of 5% in volume and in value, up to July 2017.

While recovery in the beverage sector is expected in the new year, it is also expected to be highly competitive with new brands and new variants entering the market with higher media spend.

F&N seeks to leverage this trend, with *100PLUS* prominently featuring the Healthier Choice credential on front-of-pack and in communications, reinforcing its image as the healthier soft drink suitable for all occasions.

PERFORMANCE

100PLUS has been launched in Thailand since February 2015, as the first mover in hybrid category. *100PLUS* offers the increasingly health-conscious Thai consumers both the functional benefits of rehydration and replenishment of lost fluids, minerals and energy in the body, as well as the refreshing sensation of a lightly carbonated soft drink. As a relatively new entrant, *100PLUS* stepped up its efforts to educate consumers on its benefits, increase brand visibility and strengthen its position as the healthier alternative to carbonated soft drinks for everyday consumption.

Following FY2015's successful launch of *100PLUS* Original and *100PLUS* Lemon Lime which was supported by a massive nationwide campaign, *100PLUS* continued to ride on the positive momentum to extend brand visibility and strengthen its position as a functional soft drink. Tapping into the increasingly popular trend of cycling, *100PLUS* ran a nationwide consumer promotion BIKE IN JAPAN from March to May 2016 and stepped up the campaign to expand to more occasions beyond sports with this year's ADVENTUROUS AND FUN

ACTIVITIES IN NEW ZEALAND from February to May 2017. In addition, *100PLUS* extended its flavour offerings by rolling out a new 'Berry' flavour in February 2017, to broaden user base and induce trial. The launch of *100PLUS* Berry was highlighted through an integrated marketing campaign which included television and cinema commercials, print and online advertising, in-store sampling, events and sponsorships.

Boosted by strong consumer interest and feedback, both trade and consumer off-take achieved significant increase over the five-month period. Not only has *100PLUS*

Berry helped support brand share, *100PLUS* also continued to successfully build on its health image, outperforming diet carbonated soft drinks in all brand health KPIs.

Other brand building activities included a television commercial aired in September 2017, strategic media placements to boost top-of-mind, as well as event sponsorships to drive trials. This year, *100PLUS* supported 39 running and cycling events in Thailand, and has become the preferred beverage partner of event organisers, successfully reinforcing its position as the drink-of-choice for those who lead active lifestyles.

In the new financial year, *100PLUS* will continue to strengthen its brand position of being the healthier soft drink of choice, and broaden consumption opportunities beyond sports to everyday occasions.

(D) VIETNAM

Vietnam continues to present huge growth potential for F&N, with its projected GDP growth rate averaging 6% in the next three years, a young population, rising middle-class and increasing urbanisation.

To lay the commercial foundation for business expansion in Vietnam, the Group incorporated F&N Vietnam Limited Liability Company ("**FNV**") in August 2016, to extend its operations beyond the functions of a representative office (set up in June 2015). FNV currently distributes, markets and conducts trading of non-alcoholic beverages in the country.

PERFORMANCE

2017 was a year of organisational improvements and consolidation. With the establishment of FNV,

its strategic priority was to focus on excellence in marketplace execution. To support the effort, FNV upgraded its IT infrastructure and implemented an integrated warehousing and delivery system. The new setup also allowed FNV to have its own direct sales workforce to effectively execute its sales strategy.

This year, *100PLUS* shared in the festive spirit by introducing a Tet-themed festive pack for *100PLUS* Original flavour. Focusing its publicity on F&B outlets, supermarkets, schools and sports clubs in Ho Chi Minh City, Can Tho, Hanoi and Vung Tau, *100PLUS* saw very good demand during this festive period.

To reinforce *100PLUS*'s active lifestyle proposition, the brand continued to support many sports and lifestyle events such as the Ho Chi Minh City's Media Futsal Tournament, Tan Son Nhat Golf Tournament, Dam Sen Theme Park Lion Dance Contest and the Danang International Marathon 2017. In addition, *100PLUS* also sponsored the Ho Chi Minh City Student Union to hydrate more than 40,000 students from 98 high schools, as they prepared for their final examinations. *100PLUS* is also the exclusive isotonic drink partner of Jump Arena, the very first trampoline park and Vietnam Basketball Academy in Ho Chi Minh City, Vietnam.

To date, FNV's brand team has attained over 53,000 followers in Facebook, with a unique reach of 12 million people. This outreach, coupled with an active online presence, further amplified *100PLUS* as a brand to build a more inclusive *100PLUS* community.

