

# DAIRIES | CORE MARKET Malaysia





#### DAIRIES MALAYSIA: RESULTS

This year, the Malaysia F&B sector continued to be characterised by sustained downward price pressure and poor consumer sentiment. Accordingly, domestic dairy volume recorded marginal decline, cushioned by double-digit volume growth in its export to halal core markets, China and the SEA region. Bolstered mainly by better export volumes and favourable translation effect, Dairies Malaysia FY2018 revenue grew 6%, to \$319m. Despite lower domestic sales, Dairies Malaysia maintained its No.1 Canned Milk position with *F&N*, *TEAPOT*, *GOLD COIN* and *CARNATION* brands. Its evaporated canned milk, in particular, continued to grow ahead of category. Higher dairy-based commodity prices and packaging costs eroded gains from higher sales and cost savings initiatives. Dairies Malaysia PBIT fell 10% against the previous year, to \$41m.

By leveraging its strong position in the canned milk category, Dairies Malaysia will continue to focus on growing its presence in the RTD milk category. Building on the tagline, "PURE ENJOYMENT. PURE GOODNESS", it will continue with its targeted marketing activities to drive the growth of this segment in the years ahead. Leveraging on the Group's in-house technical expertise, product offering and trusted relationships with consumers, *F&N MAGNOLIA* and *FARMHOUSE* are well-positioned to support Dairies Malaysia's ambition of building its new pillar.

Dairies Malaysia's expansion continued apace throughout the year with additional capacities being added to meet local and export demand. A series of de-bottlenecking initiatives has also been put in place to release latent capacity in its Pulau Indah plant.

#### CANNED MILK: *F&N/TEAPOT/GOLD COIN*

Dairies Malaysia is a leading player in the canned milk industry. This year, despite market challenges, Dairies Malaysia's evaporated milk sales outpaced overall Malaysia evaporated milk segment. The strong performance was due to effective marketing strategies and increased capacity, bolstering Dairies Malaysia's position as the clear market leader in the country.

The Group reinforced its No.1 Condensed and Evaporated Milk position with *F&N*, *GOLD COIN* and *TEAPOT* by directing its marketing campaign on canned milk applications in food and beverage. One of the key marketing campaigns was the two-month long experiential campaign, *HANG MASUK HANG MENANG CONTEST*. The contest was an extension of *F&N*'s *HANG TARIK CAMPAIGN* during the Hari Raya season last year to introduce the gold standard of making a cup of perfect Teh Tarik Ori with *F&N* Sweetened Condensed Milk and *F&N* Evaporated Milk. The Hang Tarik personality has resonated with many Malaysians and has since united us over a cuppa of Malaysia's iconic beverage.

*F&N* celebrated the holy month of Ramadan with the launch of *F&N SAJIAN SILATURRAHIM* campaign. In line with its promise of bringing moments to Malaysians, the campaign offered **BIGGER PRICE SAVINGS**, **WHOLESOME DELIGHTS** through its lineup of programs which included savings from the *F&N* Sweetened Condensed Milk and Evaporated Milk promotion nationwide, new Indonesian-styled recipe creations and *F&N Citarasa Teristimewa Medan* travelogue.

In April, *F&N* rewarded its loyal customers by bringing the *JOM MASKA BERSAMA FIZO OMAR* (Let's Cook with Fizo Omar) to Peninsular Malaysia. Through the programme, participants were given the chance to attend live cooking demonstrations by *F&N* Ambassador, Fizo Omar, in which he prepared three *F&N* Sajian Silaturrahim Ramadan recipes, such as Sate Padang and Kolak Ubi.

#### LIQUID MILK: NEW GROWTH PILLAR *F&N MAGNOLIA/FARMHOUSE*

To drive top of mind and brand preference, *F&N MAGNOLIA* continued to invest in advertising and online media campaigns, as well as sponsorships to create awareness and trials. The key sponsorship event for the year was the *ANAK-ANAK MALAYSIA WALK 2018* where participants were treated to nutritious servings of *F&N MAGNOLIA* UHT milk.





### DAIRIES THAILAND: RESULTS

Dairies Thailand continued to deliver solid growth, powered by exceptionally strong export performance. As the Group's best performing operation, Dairies Thailand revenue grew by a robust 5% and PBIT increased 19%, driven by higher export volume to Cambodia and Laos, strict cost control and favourable translation effect.

Despite the current competitive landscape, Dairies Thailand was able to maintain its No.1 Canned Milk position with *TEAPOT* and *CARNATION* brands, and continued to outperform its competitors in the condensed milk and evaporated milk categories, achieving volume share gains. The better-than-market performance was due to its continued ability to innovate products that consumers love, supported by successful trade programmes, as well as its focus on expanding distribution across the country.

This year, Dairies Thailand continued to roll out new products that cater to rapidly changing consumer tastes and the growing emphasis on convenience. *TEAPOT*, for instance, added two new flavours to its latest range of "convenience-on-the-go" squeezable tubes; while *CARNATION*, the largest selling premium sweetened condensed milk ("**SCM**") brand in Thailand, boosted its SCM portfolio with *CARNATION PLUS* which is made with high concentration of quality milk powder.

In the coming years, Dairies Thailand will remain committed to invest for the long-term in its brands, assets and people. It will continue to strengthen its domestic market leading position in the canned milk category, in the RTD milk segment with *F&N MAGNOLIA* (UHT milk segment), and in the sterilised milk segment with *BEAR BRAND*. Dairies Thailand will continue to execute targeted marketing activities and innovate to find the best solutions for our customers. It will leverage its brand strength and distribution network to grow its positions in the RTD milk segment. In addition to driving domestic volume, it will also continue to look to bolster its presence in the SEA region and *TEAPOT* brand in Cambodia and Laos.



## STERILIZED MILK



## CANNED MILK





## CEO BUSINESS REVIEW - DAIRIES

### CORE MARKET - Thailand

#### CANNED MILK: INSPIRING GOURMET CREATIONS *CARNATION*

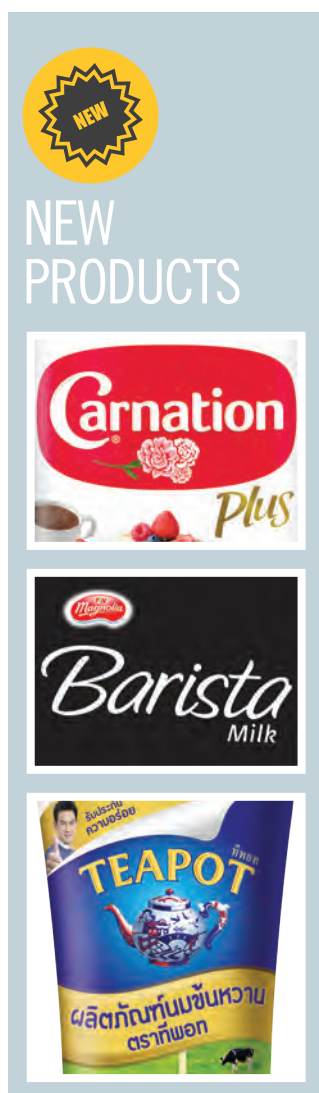
*CARNATION*, one of Nestle's brands licenced to F&N, remains the biggest player in the canned milk sector in Thailand. From a leading market position, *CARNATION* continued to drive consumption by rolling out new products and targeting advertising to reinforce its image as the premium and preferred choice in food and beverage applications. *CARNATION PLUS*, a premium SCM made with high concentration of quality milk powder from New Zealand was made available nationwide in two pack sizes – 380g can and 180g squeezable tube. These additions provided healthier options and convenience-on-the-go packaging to cater to the various consumption occasions and needs of our consumers. Supported by integrated marketing activities that included new TV commercials, 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 such as 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.

#### *TEAPOT*

Following the successful launch of *TEAPOT*'s popular sweetened condensed milk in squeezable tube last year, Dairies Thailand recently added two new flavours – Fresh Milk Formula and Chocolate Flavoured – to its latest range of convenience-on-the-go squeezable tubes. Supporting the launch was a series of marketing activities, including TV ads, digital and mobile campaigns, extensive nationwide sampling and various point-of-sales initiatives. As a result of the successful marketing campaign, *TEAPOT* gained volume and market share.







คุณค่าเต็มกล่อง **ลองเลย**  
**อร่อย...จำฝังใจ**  
นมแมกโนเลียพลัสกิงโกะ รสไวท์มอลต์



กิงโกะ 2

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จากอังกฤษ



# DAIRIES

## CORE MARKET Singapore

*Start the new year fresh  
with **Magnolia!***



### DAIRIES SINGAPORE: RESULTS

Dairies Singapore FY2018 revenue fell 6%, mainly due to lower export volume. However, PBIT improved 6%, 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.

This year, Dairies Singapore continued to excite the market by introducing new and healthier products. It expanded its *F&N MAGNOLIA* Plus milk range with the introduction of *F&N MAGNOLIA* Plus Lo-Fat Hi-Cal UHT Milk with Oats. *F&N FRUIT TREE* Fresh also launched a new reduced sugar juice range, *F&N FRUIT TREE* Fresh 50% Less Sugar & Calories. Without compromising taste, *F&N FRUIT TREE* Fresh 50% Less Sugar & Calories Apple & Aloe Vera, in particular, was ranked as one of the lowest sugar apple juice drinks in Singapore. Supported by launch campaigns, these new products generated positive response and helped boost sales and market shares.

### LIQUID MILK: *F&N MAGNOLIA*

*F&N MAGNOLIA* kicked off this year with the START YOUR TSUMTASTIC YEAR WITH *F&N MAGNOLIA* nationwide campaign to help keep the brand top-of-mind and cement market share. *F&N MAGNOLIA* collaborated with Disney Tsum Tsum as it featured lovable Disney characters on the brand's limited edition promotional packaging

and collectibles, much to the delight of consumers. Through various consumer touchpoints – outdoor, PR, digital, social media, promotional packaging, in store roadshows, point-of-sales materials, in store media and displays – supported by aggressive below-the-line activities, *F&N MAGNOLIA* reinforced its position as an important part of the daily breakfast routine. The campaign was so successful – sales volume exceeded targets – that *F&N MAGNOLIA* repeated its collaboration with Disney in May.

Riding on the success of *F&N MAGNOLIA*'s earlier campaigns, this July, the Group responded to the nutritional needs of our consumers by launching its first UHT variant of its Plus milk range – *F&N MAGNOLIA* Plus Lo-Fat Hi-Cal UHT Milk with Oats. A combination of two breakfast favourites into one wholesome drink, *F&N MAGNOLIA* Plus Lo-Fat Hi-Cal UHT Milk with Oats is packed full of dietary fibres, minerals and vitamins, contains lower saturated fat and has 67% more calcium than regular milk. *F&N MAGNOLIA* Plus Lo-Fat Hi-Cal UHT Milk with Oats carries HPB's Healthier Choice symbol.

Today, *F&N MAGNOLIA* continues to be a source of nourishment across all life stages, offering an innovative range of milk products that cater to all palates and lifestyle needs. After all, only a well-nourished body and mind can tackle the day's challenges, affirming the belief that breakfast is the most important meal of the day.

### JUICE: *F&N FRUIT TREE* FRESH

As part of the Group's relentless focus on sugar reduction, *F&N FRUIT TREE* Fresh introduced a reduced sugar range – *F&N FRUIT TREE* Fresh 50% Less Sugar & Calories – an extension of its popular *F&N FRUIT TREE* Fresh Juices in Singapore. Launched in August, *F&N FRUIT TREE* Fresh 50% Less Sugar & Calories is available in two familiar flavours, Apple & Aloe Vera Juice and Orange Juice. High in vitamin C with no added sweeteners, the latest range of *F&N FRUIT TREE* Fresh provides healthier beverage options without compromising taste.

The successful launch of *F&N FRUIT TREE* Fresh Wonders range last year strengthened the brand franchise due to its premium pricing and positioning. To further build awareness and drive product trial, *F&N FRUIT TREE* Fresh Wonders focused its consumer engagement initiatives on digital platforms, outdoor and sampling activities, extending its reach to more consumers both on-ground and on its social media pages.





# DAIRIES | ICE CREAM





### OVERVIEW

F&N's Ice Cream division, with well-established and trusted brands like *F&N MAGNOLIA*, *KING'S* and *MEADOW GOLD*, is supported by two manufacturing plants in Malaysia and Thailand. This year, Dairies Ice Cream continued to excite its consumers by introducing new variants of its ever-popular brands like *F&N MAGNOLIA*, *KING'S* and *MEADOW GOLD*. In addition to rolling out new products, Dairies Ice Cream created buzz by updating its *KING'S* logo in the markets of Singapore and Malaysia. The refreshed logo now features the iconic *F&N* logo to create differentiation and strong shelf presence in the marketplace.

### MALAYSIA

F&N's Ice Cream division maintained its position as one of the top three ice cream companies in Malaysia by staying relevant and keeping its brand top-of-mind. Throughout the year, marketing activities such as roadshows were conducted to encourage trials, and social media to engage with consumers.

*KING'S* Potong ice cream cemented its leading position in the potong ice cream category in Malaysia on the back of successful execution of effective marketing campaigns. This year, the *KING'S* logo underwent a radical rejuvenation to adopt the *F&N* corporate logo. The range of potong underwent packaging refresh and introduced new flavours, supplemented by successful marketplace execution and effective marketing campaigns.

*KING'S* Potong, for example, re-introduced its premium *KING'S* Potong Mao Shan Wang variant to the delight of Malaysians. *KING'S* Potong Mao Shan Wang was strategically distributed in the market to capitalise on the growing demand for durian by tourists.

In the kids segment, the *F&N MAGNOLIA* Gotcha range expanded its 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.

### SINGAPORE

*KING'S* Potong remains Singapore's No.1 Potong brand. This year, *KING'S* Potong further cemented its No.1 position with the launch of two new flavours – *KING'S* Potong Signature Thai Mango and *KING'S* Potong Black Sesame. Inspired and made with local Thai fruit, *KING'S* Potong Signature Thai Mango ice cream boasts the sweetness of Thailand's Oak-Rong mango and fresh coconut milk, infused with juicy mango pieces, offering a multi-sensorial indulgence on-the-go. *KING'S* Potong Black Sesame packs the familiar taste of black sesame paste, adding an icy twist to a classic Asian dessert to enjoy anytime, anywhere.

Hailed as a childhood favourite of many Singaporeans, *F&N MAGNOLIA* Wafer ice cream refreshed the packaging design of its entire range of wafer ice cream this year. Available

in three popular flavours – Chocolate, Durian and Yam, *F&N MAGNOLIA* Wafer ice cream boasts the same great taste as the original *KING'S* wafer ice cream, much to the delight of consumers. *F&N MAGNOLIA* rolled out new advertising campaign to showcase new packaging, including a series of online and social media communications, to generate buzz and awareness.

### THAILAND

FY2018 was an exciting year for *F&N MAGNOLIA* as it launched a slew of new products from its ice cream range in Thailand.

Targeting the kids segment, *F&N MAGNOLIA* introduced its first Justice League ice cream inspired by DC Comics and its team of superheroes, in November 2017. Available in three flavours – Lemon-Lime Cola, Blueberry and Apple and Lemon Soda – *F&N MAGNOLIA*'s Justice League-themed ice cream featuring the iconic Batman, Superman and The Flash was a big hit with children. To further strengthen its presence in the kids segment, *F&N MAGNOLIA* Gotcha expanded its offerings with the introduction of *F&N MAGNOLIA* Gotcha Traffic Lights and *F&N MAGNOLIA* Gotcha Strawberry Lemon Cup ice cream. These new flavours were also met with good response.

The Ice Cream division also brought some of *F&N MAGNOLIA* Wafer ice cream range to Thailand. The first of its kind in Thailand, *F&N MAGNOLIA* Wafer ice cream – Chocolate and Durian were a great hit amongst the Thais.