

CEO Business Review



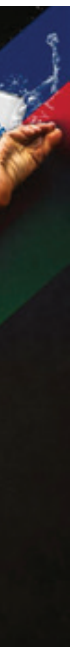
Beverages

(Soft Drinks and Beer)

CORE MARKETS

- Malaysia • Singapore
- Myanmar





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Beverages Malaysia

FY2020 PERFORMANCE

Amidst difficult market conditions in Malaysia, our largest market for Beverages recorded weaker performance this year. While we delivered on product innovation and invested in effective in-market activities during festive periods, which fuelled top line growth in the first half of this fiscal year, the full-year performance has been impacted by the COVID-19 pandemic. As the pandemic spread in March, the various stages of nationwide lockdowns impacted on-trade sales in the second half of the year. Beverages Malaysia FY2020 revenue declined 11.8% yoy to \$291.8m, from \$330.8m previously. Despite savings from cost mitigating measures, operating profit declined 8.8%, to \$23.1m. The lower profit was due to lower sales and higher advertising and promotional spending in support of new products.

By the end of the third fiscal quarter, Malaysia started easing certain restrictions, and we saw some retail outlets opening again. Post-MCO, we have seen domestic and export volumes recovering. Although economic activities are gradually normalising, it is still too early to conclude if such demand is sustainable.

Despite a challenging year, the Group's leading positions of its core brands *100PLUS*, *F&N SEASONS*, *OYOSHI* and *F&N NUTRISOY* in Malaysia were maintained, as Beverages Malaysia kept up marketing and branding initiatives, focusing on promoting active and healthy living. The Group is confident that our robust plan for sustainable growth will enable us to meet the challenges ahead. We will continue to lift efficiency across our entire value chain and reinvest our realised improvements into growing our business sustainably. We will remain

The new, zero sugar
variant of **100PLUS**
100PLUS Zero

F&N
ICE MOUNTAIN
Sparkling Water
now in Malaysia

F&N launches
direct-to-customer
online site
F&N LIFE

100PLUS
remains Malaysia's No.1
Carbonated Soft Drink
and No.1 Isotonic Drink brand

guided by our mission to enhance quality of life and contribute to a healthier future as we deliver high quality products to all Malaysians.

ISOTONIC: 100PLUS

100PLUS, F&N's flagship brand and Malaysia's No.1 Carbonated Soft Drink and No.1 Isotonic Drink brand, continued to cement its position as the enabler of active lifestyles through its support of a series of sports sponsorship deals. These sponsorship included supporting our national athletes, major sports events and several national sports bodies. This year, *100PLUS* extended its partnership with the Football Association of Malaysia ("**FAM**") for another year until 31 December 2020. *100PLUS* is a long-time supporter of football development in Malaysia, and is the official hydration provider for major football and futsal events across Malaysia. A fervent advocate of sports development and active lifestyles, *100PLUS* will continue its support and involvement in sports, including FAM-related competitions, programmes and activities in the country.

To generate excitement, *100PLUS* also rolled out limited-edition packaging in celebration of the 2020 Chinese New Year.

It also conducted above- and below-the-line activations, including holding roadshows to spread festive cheer in its annual carnivals held in four locations nationwide.

The growing awareness and demand for healthier products prompted the exclusive launch of *100PLUS Zero* in 7-Eleven, Malaysia this year to great response. This came after its very successful launch in Singapore in the previous fiscal year. As a result of overwhelming demand, we have also made *100PLUS Zero* available in general and modern trade starting August 2020.

In November 2019, *100PLUS* was able to get over 10,000 Malaysians on their feet with an active lifestyle event, *100PLUS AKTIFKAN MALAYSIAKU*. The three-part nationwide call to an active lifestyle started in Kota Kinabalu, followed by Kuala Terengganu, with its finale flag-off taking place in Kuala Lumpur at Bukit Jalil National Stadium. *100PLUS AKTIFKAN MALAYSIAKU* was a call for an active lifestyle among Malaysians and aimed to encourage more to start living an active lifestyle and giving their 100% in everything they do, fuelled by

100PLUS. The event provided sampling opportunities and successfully drove engagement and conversion.

During the nationwide lockdown due to the coronavirus, **100PLUS** held virtual workout sessions, conducted by professional trainers, to help consumers achieve a healthier mind and body. These free, online sessions, which included HIIT and dance sessions, were part of **100PLUS'** month-long campaign to increase brand visibility and top-of-mind awareness.

DIGITALISATION OF SALES AND COMMUNICATION

The digital transformation at F&N continues apace. To meet the evolving needs and purchasing habits of consumers, the Group unveiled its first direct-to-consumer e-commerce store in Malaysia, F&N Life. The rollout of this e-commerce store was timely as increasing number of consumers are opting to buy food and drink products online as a result of lockdowns and other social distancing measures due to the coronavirus outbreak. With the launch of this online store, consumers in Malaysia can now purchase all F&N's products, including those launched in this fiscal year, from F&N Life. This e-commerce store is another alternative to other e-commerce sites such as Lazada and Shopee for fast and easy access to F&N products.

Riding on this e-commerce platform, the Group rolled out a marketing campaign – GERAJ RASA RAYA (Taste of Raya) – to put Malaysians in the festive spirit of Ramadan during the MCO lockdown. This campaign aimed to bring families together to recreate popular Ramadan delights at home with the help of recipes accessible on F&N Life's app and website. In addition, consumers could purchase their favourite F&N products and have them delivered free of charge, with no minimum order.

NEW PRODUCTS

This year, the Group added two new sugar-free offerings to its **OYOSHI** Gold portfolio – Kabusecha and Sencha. These 380ml green tea drinks are sugar-free, and are brewed with 100% imported authentic Japanese green tea leaves from Makinohara Plateau, Japan.

The Group also widened the offerings for its water brand – **F&N ICE MOUNTAIN**. This year, it introduced three new bubbly and delightful flavoured variants to its sparkling water range – Original, Lemon and Grapefruit. These new additions offer consumers a carbonated water that is both affordable and healthy, with no sugar and zero calories.

Beverages Singapore

FY2020 PERFORMANCE

Despite challenging market conditions, Beverages Singapore maintained its leading market positions in its core categories – **100PLUS** in Isotonic, **F&N NUTRISOY** in Soya and **F&N ICE MOUNTAIN** in Water. F&N continued to focus on building brands and bringing healthy and innovative products to consumers as we navigated the impact of COVID-19.

Since the escalation of COVID-19 outbreak, F&N Singapore stepped up with food and product donations to the local community. Recipient organisations included various local charities, medical institutions and food banks. The Group will continue to support and provide aids, donations and sponsorship as this health crisis evolves.

ISOTONIC: 100PLUS

Singapore's No.1 isotonic brand, **100PLUS**, remains the isotonic drink of choice for consumers. It has been supporting active lifestyles over the years through sponsorship and sporting events such as the STANDARD CHARTERED SINGAPORE MARATHON, OCBC CYCLE and HSBC SINGAPORE RUGBY SEVENS.

As stringent border control and social distancing measures were enforced, digital media consumption grew. To encourage Singaporeans to stay fit and lead active lifestyles, **100PLUS**, in collaboration with the Sport Singapore ("SS"), launched the STAY FIT campaign.

All natural, premium non-GMO beans
F&N NUTRISOY
fresh soya milk with real oats & quinoa

**F&N
ICE MOUNTAIN**
has a new sustainable
& recyclable paper
packaging

OYOSHI Gold
added two new
sugar-free variants -
Kabusecha and Sencha

**#STAYFIT
with
100PLUS**

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The campaign involved live workout sessions, which included yoga, kick boxing, HIIT, etc, conducted by professional trainers and SS brand ambassadors. To reach a wider audience, *100PLUS* also worked with fitness influencers and celebrities to create fitness content on *100PLUS*'s social sites, including its own Facebook and Instagram pages. These virtual workouts also enabled *100PLUS* to stay engaged with consumers, and emphasized to them the importance of staying hydrated.

SOYA: F&N NUTRISOY

F&N NUTRISOY, Singapore's No.1 soya brand, continued to focus on raising brand visibility and awareness of its range of high calcium and low-glycemic index soya beverages amongst consumers.

This year, *F&N NUTRISOY* expanded its soya range with the introduction of *F&N NUTRISOY* Real Oats & Quinoa in November 2019 and *F&N NUTRISOY* Pandan in June 2020. The launch of *F&N NUTRISOY* Real Oats & Quinoa (Reduced Sugar) was supported by nationwide marketing campaign, which has successfully created awareness and drove trial. *F&N NUTRISOY* Pandan (Reduced Sugar) was introduced as a limited-edition variant. Made with fresh soya beans and fragrant pandan leaves, this reduced-sugar variant is 25% lower in sugar compared to its regular variant. Similar to its existing fresh soya bean milk range, these new variants are vegan-friendly, high in protein, calcium and Vitamin D4, and are certified as "heart-friendly" by the Singapore Heart Foundation ("SHF").

Riding on the increasing in-home consumption trend during CB, *F&N NUTRISOY* also launched a series of culinary sessions to demonstrate the

various uses of *F&N NUTRISOY* in cooking and dessert preparation.

F&N NUTRISOY continued its partnership with SHF through its sponsorship of the foundation's two key events – GO RED FOR WOMEN 2020 and WORLD HEART DAY 2020 – to promote heart health and educate Singaporeans to lead heart healthy lifestyles. As a pledge of our support, all *F&N NUTRISOY* Fresh Soya Milk packaging bears the SHF logo.

JUICES: F&N FRUIT TREE FRESH

With more consumers opting for healthier and immunity boosting products, the Singapore Team ran a series of social media posts and put up point-of-sale materials to reinforce the message of staying healthy by consuming *F&N FRUIT TREE FRESH* daily. *F&N FRUIT TREE FRESH* is made from 100% great tasting juice and rich in vitamin C.

F&N FRUIT TREE FRESH has reformulated its reduced sugar range to meet the growing demand for healthier choice beverages. Launched in September, *F&N FRUIT TREE FRESH* Reduced Sugar juice range – Apple, Orange, Mango and Guava – is not only lower in sugar but also high in vitamin C.

A new addition to the *F&N FRUIT TREE FRESH* Reduced Sugar juice range is the new soursop variant. Made with real soursop juice, this new variant is not only low in sugar, but also high in antioxidants – vitamins A, C and E – with generous amounts of chewy nata de coco.

WATER: F&N ICE MOUNTAIN

F&N ICE MOUNTAIN is the No.1 water brand in Singapore, led by its still drinking water range. This year, *F&N ICE MOUNTAIN* further strengthened its relevance with younger consumers with the relaunch of its sparkling water range. The brand also championed sustainability with the release of its very first sustainable paper carton packaging.

In December, *F&N ICE MOUNTAIN* sparkling water updated its bottles to a more modern and premium look,

and introduced a new range of cans to its water portfolio. This was accompanied by a flavour extension of the Peach variant. A festive campaign anchored by a month-long Orchard Road pop-up was successfully executed to drive consumer awareness and trial. *F&N ICE MOUNTAIN* sparkling water maintained high visibility with consistent consumer touchpoints to drive purchase and gain market share.

In August, as a champion of sustainability, *F&N ICE MOUNTAIN* launched a new sustainable and recyclable paper carton pack version of its drinking water variant. Made with FSC certified carton paper sourced from responsibly managed forests, the new packaging also comes with a bio-based cap made from sugar cane. Halal-certified, *F&N ICE MOUNTAIN*'s new earth-friendly pack provides everyday healthy hydration for eco-conscious consumers.

TEA: F&N SEASONS

F&N SEASONS celebrated the Lunar New Year with its Sugar Free Pu-Erh Chrysanthemum Tea festive pack – a guilt-free beverage to balance out the festive snacking. Certified with Health Promotion Board's Healthier Choice logo, *F&N SEASONS* Pu-Erh Chrysanthemum Tea is a perfect blend of rich tasting pu-erh and floral notes of the finest chrysanthemums that continuously delights all Chinese tea lovers in Singapore.

FLAVOURED CARBONATED SOFT DRINKS: F&N SPARKLING DRINKS

In conjunction with the Hari Raya festivities, *F&N* launched the limited-edition *F&N* Sparkling Bandung drink. Made with the perfect combination of fragrant rose syrup and sparkling water, *F&N* Sparkling Bandung was a popular drink amongst locals to enjoy during Hari Raya. Launched in June within the convenience channel, the new product targeted both the local and younger demographic. Certified as a healthier choice product by the Health Promotion Board, *F&N* Sparkling Bandung was a great hit amongst Singaporeans.

Beer

The results of our beer division take into account our brewery in Myanmar and beer distribution in Singapore.

FY2020 PERFORMANCE

F&N's greenfield brewery, Emerald Brewery Myanmar Limited ("EBML") commenced production of the award-winning *CHANG* beer on 1 October 2019. Licensed to EBML by F&N's strategic partner, Thai Beverage Public Company Limited, this lager uses only the finest ingredients from Europe and the USA, just like *CHANG* in Thailand.

Building a strong foundation for *CHANG* was the primary focus in FY2020. To that end, in Myanmar, we concentrated on building local brand equity by rolling out a year-long campaign, TIME FOR A CHANGE, TIME FOR A *CHANG*. Using outdoor, digital and print advertising platforms to reach consumers, this 360-degree marketing campaign covered both point-of-sale advertising and off-premise advertising which included banners and posters located at local retailers and wholesalers.

In Singapore, visibility of *CHANG* continued to increase through its association with football. Building on last year's success, *CHANG* Football Moments was back for another year of football action. As the Official Broadcast sponsor of the 2019/20 English Premier League ("EPL") in Singapore, *CHANG* organised live screenings throughout the entire 38-week EPL season. When physical live-screening events became a challenge due to social distancing measures, *CHANG* Football Moments went virtual during the match between Manchester United versus Leicester City. Football fans were invited to join the pre-game virtual party alongside football legends and event hosts, as they cheered on their favourite teams over a refreshing *CHANG*. Supported by well-executed TV advertisements and strong social media presence, we were able to generate trials and improve brand visibility in Singapore.

In addition to football, *CHANG* also continually excites its consumers through innovative marketing and exciting activities based on experiential marketing initiatives. This year, it continued its brand building efforts with consumer engagement programmes focusing on Thai culinary experiences and culture to reach wider audience, effectively boosting brand awareness and consumption. In February, *CHANG* was proud to be the Official Beer Sponsor of Singapore's first-ever Chatuchak Night Market. Previously a two-hour plane ride away, Bangkok's popular Chatuchak Night Market arrived on our shores, attracting Singaporeans with over 300 F&B and street wear stalls. As part of the sponsorship, *CHANG* featured its very own *CHANG* Beer Garden, a pop-up bar that served its cold and crisp lager, as well as interactive activities such as Beer Pong for consumers. Located at The Grand Stand, *CHANG* Beer Garden was the perfect place for consumers to soak up the effervescent atmosphere and experience the vibrancy of urban Thai lifestyles with friends and family.

Visibility of *CHANG* beer was also supported by sponsorship of business conferences, exhibitions and events. To further drive volume and build brand equity in Myanmar, we ran tactical promotional campaigns.

PROTECTING THE ENVIRONMENT

We are mindful of the need to operate our business sustainably. As such, we are environmentally conscious, and continuously examine the efficiency of energy and water usage, proper treatment of effluent and reduction of packaging waste at all our brewery.

To minimise packaging waste, EBML eliminated excess packaging from its products, including downsizing paper carton boxes and removing unnecessary packaging on merchandise. Its new boiler has also significantly reduced the plant's energy consumption and carbon footprint, as it relies entirely on carbon dioxide and an inverter to generate power. These initiatives not only reduced EBML's environmental impact, it also generated cost savings.

EBML officially served its first brewed-in-Myanmar **CHANG** beer in Myanmar

#WeBrewFriendship

Building brand equity in Singapore and Myanmar via various consumer engagement programmes and marketing campaigns

#WeBrewFriendship



Protecting our environment by minimising packaging waste