



CHIEF EXECUTIVE OFFICER'S MESSAGE

HUI CHOON KIT



Our steadfast commitment to brand management, innovation, focused execution and financial prudence continues to solidify our position as an industry leader.



Shaping the Future

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CELEBRATING 140 YEARS OF RESILIENCE AND GROWTH

With profound pride and gratitude, we commemorate the remarkable 140-year journey of F&N, a testament to our enduring legacy of adaptability and resilience. Our journey, which began in 1883, has seen us weather numerous storms, navigate through challenging market environments, and grow amidst global uncertainties. Throughout this incredible journey, our steadfast commitment to brand management, innovation, focused execution and financial prudence continues to solidify our position as an industry leader.

HIGHLIGHTS FOR FY2023 FINANCIAL PERFORMANCE

As we reflect on 2023, a year marked by dynamic global economic shifts and unpredictable currency fluctuations, we recognise the resilience and adaptability that have become our hallmark. FY2023 showcased a commendable performance for the F&N Group. The Group achieved a solid 5% increase in revenue, reaching \$2,099M, up from \$2,003M in FY2022. The growth was achieved despite persistent challenges, notably unfavourable foreign exchange rates, which significantly impacted our financial performance. In constant



REVENUE

\$2,099m

\$2,003m in FY2022

Up 5% fueled by higher F&B and P&P performance (+10% on a constant currency basis)



PROFIT BEFORE INTEREST & TAXATION

\$249m

\$233m in FY2022

Rose 6% on effective cost management initiatives and increased sales (+12% on a constant currency basis)

currency terms, the Group's revenue demonstrated robust growth, at 10%.

Profit before interest and taxation ("PBIT") also recorded noteworthy growth, surging 12% in constant currency terms. This reflects our steadfast commitment to effective cost management practices, even in the face of inflationary pressures and a challenging market environment. Accounting for the negative forex translation, PBIT managed to rise 6%, reaching \$249M from \$233M in the prior year.

Profit after taxation grew 16%, to \$205M, up from \$177M in the prior year. This was lifted by a net exceptional gain of \$7M, arising largely from the fair value gain resulting from the remeasurement of the Group's investment in Cocoland Holding Bhd ("Cocoland").

These results underscore the enduring strength and adaptability that continue to be the foundation of F&N's longstanding legacy.

FOOD & BEVERAGE ("F&B") FY2023 PERFORMANCE

Our F&B division has demonstrated resilience, achieving a healthy performance, driven by focused execution and financial prudence.

In FY2023, the F&B segment posted notable results despite challenges stemming from unfavourable foreign currency translation. F&B revenue grew 2%, reaching \$1,798M, driven by strong Beer sales. Soft Drinks and Dairies faced marginal declines in revenue due to adverse forex translation.

CEO'S MESSAGE

In constant currency terms, F&B revenue growth was robust, at 7%, driven by increased selling prices, higher soft drinks and beer volumes, and improved canned milk sales to export markets. Beer remained the star performer, growing at 86% in constant currency; Soft Drinks and Dairies each recorded 4% growth.

Earnings in F&B rose 7%, reaching \$250M. Dairies, in particular, played a pivotal role in bolstering the F&B segment, achieving 9% earnings growth despite stagnant sales, impact from adverse forex translation and higher input costs. Conversely, Beverages (comprises Soft Drinks and Beer) recorded a decline of 2%, mainly due to unfavourable forex translation, higher sugar and packaging costs and higher brand spend.

In constant currency terms, F&B earnings showed robust growth of 13%, underpinned by both Beverages (+5%) and Dairies (+14%).

F&B: DAIRIES

Dairies, the largest contributor to the Group's earnings (86% of FY2023 earnings), stood out with the strongest profit performance. Its earnings grew 9%, to \$213M, even in the face of marginal sales decline caused by unfavourable forex translation.

Dairies revenue decreased marginally, to \$1,195M due to sales declines in Thailand and Singapore, partly offset by higher revenue from Dairies Malaysia, primarily through GOLD COIN, TEAPOT and CARNATION. Despite lower sales, Dairies earnings grew 9%, driven by contributions from Dairies Thailand and Dairies Malaysia resulting from price increases. However, the gains were partly offset by higher advertising and promotion expenses, supply disruptions in Dairies Singapore during its plant migration, and reduced share of profit from the Group's associated company in Vietnam, Vietnam Dairy Products Joint Stock Company ("Vinamilk").

Excluding forex translation impact, Dairies' earnings grew 14%.

F&B: BEVERAGES

The Beverages segment faced similar challenges posed by adverse foreign currency translation. It reported

increased revenue of \$35M, a 6% growth compared to the previous year, to \$604M. This growth was mainly from Beer operations in Myanmar, as a result of capacity expansion, despite unfavourable currency translation of \$17M due to the weakening of the Myanmar Kyat against the Singapore Dollar.

However, Soft Drinks' revenue saw a slight decline, mainly due to adverse forex translation on Soft Drinks Malaysia's sales. In constant currency, Soft Drinks in Malaysia increased revenue through improved festive sales and price adjustments.

Despite the overall revenue increase, Beverages PBIT declined 2% to \$37M, mainly due to adverse forex translation and increased brand investment spending.

Excluding forex translation impact, Beverages' earnings grew 5%.

PUBLISHING & PRINTING ("P&P") FY2023 PERFORMANCE

The Group's P&P segment, bolstered by increased sales and effective cost management measures, achieved a marginal reduction in losses compared to the previous year. In the current fiscal year, this segment reported losses totalling (\$10M), which included one-time adjustments, notably the prudent write-off of provisions for certain royalty income amounting to \$5M. Excluding these one-off adjustments, P&P's losses would have nearly halved for the year.

The remaining improvements in the segment's financial performance were primarily attributed to ongoing operational enhancements and cost-efficiency measures. Furthermore, the strategic restructuring initiatives undertaken in 2023, targeting three underperforming business entities within the segment, are expected to lead to P&P's improved profitability in 2024. The Group remains committed to enhancing the segment's profitability and anticipates that these restructuring efforts will contribute positively to the P&P segment's overall financial outlook in the near future.

F&B

Earnings grew 13%
(in constant
currency terms)



TRANSFORMATION PROGRAM - PASSION 2025: BUILD, STRENGTHEN, UNLOCK

This year, we are proud to spotlight our unwavering commitment to the four strategic pillars that have been the driving force behind our transformative journey as outlined in our “PASSION 2025” framework. These pillars serve as the bedrock upon which we have built a sustainable and dynamic foundation for our organisation.

PASSION 2025

Prioritising Innovation:

Innovation is the cornerstone of our strategy, and it continues to shape our path forward. We have dedicated substantial resources to building new capabilities that empower us to deliver better products and enhance our route-to-market strategies. Collaborating with stakeholders who share our vision for sustainable growth, we are pushing the boundaries of what is possible in our industry.

Investing in Brands:

Our commitment to strengthening our brands has never been stronger. We believe that brand value is an essential asset and an integral part of our growth. We’re enhancing our leadership in core markets by optimising our supply chain, embracing process innovation, and embracing digitalisation, all of which contribute to portfolio management that maximises the potential of our brands.

Building a Sustainable Supply Chain:

The sustainability of our supply chain is paramount to us. By investing in sustainable practices, we are not only mitigating our environmental impact but also future-proofing our operations. Simultaneously, our infrastructure optimisation initiatives streamline our operations, enhancing agility and responsiveness to market changes. This ensures that we fulfil our promises to customers and stakeholders with efficiency and sustainability at the core of our operations.

Expanding into New Businesses:

We are not content with the status quo. As part of our “PASSION 2025” vision, we are proactively exploring opportunities to expand into new businesses. This growth strategy is not limited to products alone; it extends to creating new partnerships and developing innovative revenue streams.

Each of these strategic pillars is the focal point of group-wide Transformation projects. These Transformation projects have at least one of three objectives, which we call Domains. These three domains are BUILD, STRENGTHEN and UNLOCK.

TO BE A STABLE, SUSTAINABLE & PROFITABLE F&B LEADER IN THE ASEAN REGION					
Strategic Pillar		Prioritising Innovation	Investing in Brands	Building a Sustainable Supply Chain	Expanding into New Business
Strategic Domain	BUILD Business Capabilities	✓	✓	✓	✓
	STRENGTHEN Core Markets	✓	✓	✓	✓
	UNLOCK Potential			✓	✓



Build Business Capabilities

We are building new capabilities that enhance our business on multiple fronts. This encompasses the development of superior products and refining our route-to-market strategies. We are also collaborating with key stakeholders to ensure that our growth is sustainable and shared with the wider community.



Strengthen Core Markets

Our commitment to our core markets is unwavering. We are doubling down on our supply chain, implementing innovative processes, and embracing digitalisation to fortify our leadership position. This extends to portfolio management, ensuring our brands are poised for enduring success.



Unlock Potential

We are seeking to unlock our potential to enhance shareholder value. Through strategic partnerships, we aim to diversify and expand our portfolio, enhancing the value of our assets. Furthermore, we are dedicated to cultivating a world-class workforce, as we understand that our people are our most valuable asset.

CEO'S MESSAGE

Our relentless commitment to these strategic pillars aims to shape our vision. These pillars are the compass guiding our journey towards innovation, brand strength, sustainability, efficiency, and expansion into new horizons. Within these pillars, we are building new capabilities, strengthening our core markets, and working to enhance shareholder value through a multifaceted approach. It's our unwavering dedication to these principles that sets the course for our continued success.

(A) PRIORITISING INNOVATION

We continued to drive packaging innovation by refreshing the packaging of F&N Fun Flavours and F&N MAGNOLIA Fresh Milk and F&N NUTRISOY Fresh Soya Milk, giving our products a refreshing new look. Festive demand was a key driver, and we rolled out attractive festive packaging for core brands, such as the Chinese New Year Variety Pack for F&N Sparkling and 100PLUS in Singapore and Malaysia.

We also took bold steps in product innovation, introducing fresh offerings that catered to evolving consumer preferences. Our F&B portfolio saw the launch of 100PLUS Active, a product aimed at health-conscious consumers in Singapore and Malaysia. We introduced OMILK, a new plant-based product that aligns with our health and wellness drive. Our ice cream category saw the introduction of the 100PLUS Hydration Bar and Slushie, along with a strategic partnership to roll out SUNKIST Tropical Orange ice confection. To keep the excitement alive, we introduced new flavors for the F&N MAGNOLIA Gotcha range. Our food business also played its part, presenting the Ketupat Wangi Haruman Pandan rice cake and LOT100 Kurma Gummy.

Innovation at F&N transcends product development alone; it extends to our processes,

digitalisation efforts, and sustainable practices. We embrace innovation across all facets of our operations to enhance efficiency, reduce our environmental footprint, and embrace technological advancements that elevate our capabilities. This holistic approach to innovation not only bolsters our product offerings but also optimises our internal processes, reinforcing our position as a forward-thinking organisation ready to meet the challenges of a rapidly evolving market landscape.

(B) INVESTING IN BRANDS

Sponsorships and marketing campaigns played a pivotal role in our brand investments. As in-person events and games returned post-COVID-19, we seized the opportunity by stepping up our sponsorships. Notable mentions included the HSBC Women's World Championship 2023 (Golf), The OCBC Cycle 2023, and the Tour de France Criterium in Singapore. These sponsorships reinforced our position as a champion of sports development and active lifestyles.



Our marketing campaigns were designed to support our new packaging, create brand awareness, and attract new consumers while retaining the existing ones. Brand activation campaigns were employed to boost visibility and ramp up sales during Raya and Ramadan, with a specific focus on Malaysia. Various marketing campaigns were executed in conjunction with F&N's 140th Anniversary and World Hydration Day. Key brand investment activities included the 100PLUS Zero Cuba Try Taste Campaign, Nonakan Harimu, Nona Dapur Tempur, F&N CSD relaunch, and F&N MAGNOLIA restage, among others.

For Thailand, a new brand ambassador, Thanapob Leeratanakachorn, was appointed for TEAPOT, contributing to brand building in the Thai market. Our commitment was further demonstrated through the CARNATION Consumer Campaign, which aimed to drive sales and strengthen the CARNATION brand.

(C) BUILDING A SUSTAINABLE SUPPLY CHAIN

Our journey toward sustainable energy solutions was exemplified by the deployment of a 10 MWp solar energy system across the rooftops of our plants in Shah Alam, Pulau Indah, and Bentong, making it one of the largest rooftop solar photovoltaic systems in Malaysia. These panels are estimated to replace a significant portion of our electricity needs with clean energy, resulting in substantial energy cost savings.

We have invested in new infrastructure to optimise our operations and enhance efficiency. In Malaysia, an integrated warehouse building in Shah Alam featuring the Automatic Storage & Retrieval System ("ASRS"), significantly improved storage efficiency and logistics, reducing our carbon footprint while saving operational costs.



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The Group's expansion into the fast-growing liquid milk segment in Malaysia and Thailand was supported by the acquisition of Ladang Permai Damai Sdn Bhd, strengthening our supply of high-quality fresh milk and aligning with our goals for self-sufficiency in milk production.

The Group also took significant steps to expand our brewing capabilities in Myanmar.

In response to projected sales growth and the utilisation of our current brewery capacity in FY2022, we embarked on the construction of a new brewhouse and additional utility facilities, with an investment of US\$60 million. This expansion has significantly increased our brewery's capacity, to 1.5M hectoliters, enabling us to tap into Myanmar's growing beer consumption market and meet our long-term forecasts.

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F&N has also constructed a smart factory in Singapore. The new facility boasts a state-of-the-art ASRS which supports improved vertical integration and connectivity within the supply chain. In addition, a dedicated R&D centre is also on-site to accelerate the translation of innovative ideas and concepts into finished products, including F&N's range of health and wellness beverages with sustainable packaging solutions.



F&N OPENS NEW MANUFACTURING PLANT IN SINGAPORE

This year, the F&N Group unveils its \$100-million state-of-the-art F&B manufacturing plant in Singapore. Featuring Southeast Asia's first integrated chilled manufacturing plant with cutting-edge Automated Storage and Retrieval Systems ("ASRS"), this facility marks a significant step in the Group's journey towards becoming a sustainable leader in the ASEAN F&B industry.

A 375,000-sqft facility, it significantly enhances F&N Singapore's capabilities in production, warehousing, and research and development, setting the stage for future growth and success.

With nearly 800 employees, this facility also includes the Group's innovation hub and Research and Development ("R&D") pilot plant,

serving as crucial spaces for rapid ideation and product development. Our commitment to innovation and product development is reflected in the dedicated R&D center, supporting researchers and scientists in translating innovative concepts into consumer-friendly products. Through these dedicated R&D efforts, we aim to meet the evolving needs of our consumers

and contribute to a healthier and more sustainable future.

Proudly, the facility has received the esteemed BCA Green Mark Platinum SLE award, recognising our environmentally sustainable practices, including a remarkable 30% reduction in energy and water consumption and the incorporation of innovative green features.



(D) EXPANDING INTO NEW BUSINESSES

Integrated Dairy Farming in Malaysia:

Through F&NHB, we achieved a significant milestone by breaking ground on our integrated dairy farm in Gemas, Negeri Sembilan. This groundbreaking marked our entry into the upstream fresh milk business, positioning us as a major milk producer in Malaysia.

The farm's vast expanse, spanning 2,726 hectares, was designed to accommodate 20,000 milking cows and was projected to produce an annual volume of 200 million liters of fresh milk. This RM1.3 billion investment not only demonstrated our commitment to providing high-quality fresh milk to Malaysian consumers but also to stimulate the local agricultural industry, generate job opportunities, and support local government objectives for agricultural self-sufficiency.

Packaged Food Segment:

In the Packaged Food Segment, the strategic acquisition of Cocoland in November 2022 marked a pivotal step in our

rapid expansion. The addition of this well-established Malaysian confectionery and snack brands to our portfolio, along with the earlier acquisition of Sri Nona in January 2021, has established a robust foundation for our growth in the thriving packaged food sector. The synergy between Cocoland's and F&N's brand marketing expertise, coupled with an extensive distribution network, has also accelerated our advancement in the packaged food domain. This strategic move aligns with our overarching goal of achieving a sustainable leadership position within the ASEAN F&B industry.

Sustainable Packaging Solutions:

Leveraging existing infrastructure in Printing, the Group opened its first eco-solutions manufacturing facility, Green Lab, in Singapore last year. Green Lab provides sustainable solutions for businesses in the ASEAN region, such as biodegradable and compostable kraft paper bags and food & beverage consumables. It also offers plastic bag substitutes made from recycled industrial waste cassava roots. Green Lab has since secured several customers for its sustainable packaging business.

OUTLOOK

As we embark on the journey into the upcoming fiscal year, our strategic pillars will steadfastly guide our path. With an unwavering belief in our capacity to surmount challenges within the ever-evolving global landscape, even in the face of inflationary pressures, we are fortified by the pillars of our strong foundation, unwavering commitment to sustainability, and the roadmap laid out by PASSION 2025.

While acknowledging the hurdles ahead, we commence the new fiscal year with a sense of cautious optimism. Our primary focus continues to center on nurturing brand growth, ensuring sustainability, and bolstering profitability. To achieve these objectives, we are actively engaged in cost optimisation, allowing us to reinvest in the business and further fortify our brands. Quality innovations will remain at the forefront, positioned for accelerated deployment across various markets.

As we navigate the path ahead, I am resolute in my conviction that our Group is entering this period from a position of strength. Armed with the right resources and a robust business model, we are prepared to confront and triumph over the challenges that lie before us. As we have demonstrated on numerous occasions in the past, we are unwavering in our determination to emerge from these current difficulties even more resilient and robust.



GREEN LAB

Provides sustainable solutions for businesses in the ASEAN region, such as biodegradable and compostable kraft paper bags and food & beverage consumables.