

Chief Executive Officer's Statement

Dear Shareholders & Stakeholders,

The financial year ended 30 September 2023 (FY2023) was one of celebration. We celebrated F&N's 140th anniversary; and we celebrated the coming together as ONE Group, including our recent acquisitions of Cocoland and Sri Nona. And perhaps more significantly, we celebrated the strength of our fundamentals, which provided us the resilience to weather another challenging year and perform even better than we did in FY2019, pre-Covid.

F&NHB recorded an 11.9% increase in revenue year-on-year due to recovery across all our markets including exports, consistent marketing and promotional activities, and targeted price management strategies. The return of international tourists and out-of-home consumption post-pandemic in Thailand was an added advantage.

While certain commodity prices stabilised during the year, others, like tin plates/cans and palm oil remained high in 2023. Meanwhile, sugar prices escalated. To prop up our bottom line, we continued to rein in our costs and were pleased to reap the rewards of energy efficiencies brought about by our solar installations. We also saw operational savings from greater automation within our warehouses in Thailand and Malaysia. In Exports, we benefited from stabilising shipping costs.

Strategically, we did not just celebrate the past 140 years of successes but remained focused to enhance our stability and sustainability in the food and beverages (F&B) business and contribute to greater social and environmental well-being.



LIM YEW HOE
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S STATEMENT

A 140-YEAR SUCCESS STORY



Our 140th anniversary celebrations were an opportunity for unity and gratitude, especially as it coincided with an uplifting year. A series of dinners with employees was held in Peninsular and East Malaysia, starting with Kota Kinabalu and Kuching in August 2023, culminating in a “grand finale” in Kuala Lumpur on 18 November. The latter was indeed significant as it was the first time we brought together 3,000 employees including migrant workers from all over Peninsular Malaysia; and 50 colleagues from Thailand. And living up to our corporate value of caring for stakeholders including past contributors, we also invited dozens of retired board members, senior management and representatives of the F&N Alumni Club to join us for the celebration.

Externally, under the theme “Kisah Kita... Selamanya”, we commemorated our anniversary with campaigns and roadshows across the country. To express our appreciation for the enduring support from our customers and consumers throughout the years, we organised various campaigns offering attractive prizes, such as limited-edition Vespa scooters.

NEW DEVELOPMENTS

We have always believed in operating as a united organisation, recognising that synergies between our business units place us in a stronger position to overcome challenges and drive further growth.

At the CEO Townhall in June 2023, I reiterated why F&NHB was “Better Together as One”. And why, as we build our fourth pillar of Halal food, it is critical that we maximise the synergies that Cocoland and Sri Nona have with each other as well as between both businesses and the Group. Cocoland’s strength as a confectioner complements Sri Nona’s Halal food products, and there is potential to use its four manufacturing sites to expand Sri Nona’s offerings. At the same time, brands from the two new business units can leverage the Group’s well-established route-to-market, not just locally but internationally. Both business units have already begun contributing to the Group’s revenue, and we expect to see meaningful growth in this business pillar in the coming years.



NEW INNOVATIONS

In recent years, we have embarked on various capital expenditure (Capex) projects aimed at expanding our manufacturing and warehouse capabilities and enhancing the efficiency of these facilities. During the year under review, we made significant progress with the completion of several initiatives, which contributed to operational efficiency and energy savings, mitigating some of the impact of higher input costs and rising energy expenses.

In Peninsular Malaysia, we completed all reparation works at our integrated warehouse in Shah Alam, which had been previously affected by floods. We also commercialised an automated ketupat line for NONA in Rawang. Over in East Malaysia, we operationalised a new drinking water line at the Kota Kinabalu Industrial Park (KKIP) and a new mineral water line in Matang.

In Thailand, the much-awaited RM128 million liquid milk and plant-based beverage factory in Wang Muang commenced operations in October 2022, marking a strategic shift towards the liquid milk segment as we reduce our reliance on condensed milk in line with market trends and preferences.



Meanwhile, we are building a dairies vertical as we advance towards becoming a leading fresh milk producer in Malaysia. Following the acquisition of Ladang Permai Damai in October 2022, we held the ground-breaking ceremony of our integrated dairy farm in Gemas, Negeri Sembilan on 15 June 2023. Once phase 1 of the farm is fully completed, we will be producing 100 million litres of fresh milk yearly. Eventually, the farm will double its production to 200 million litres, catering to both domestic and international markets. We are making good progress with the farm, having completed the site clearance upon obtaining approval of our Environmental Impact Assessment.

CHIEF EXECUTIVE OFFICER'S STATEMENT

STAYING CLOSE TO OUR CONSUMERS

While developing our business, F&NHB continues to stay close to our consumers. Indeed, our evolution is tailored to meet their ever-changing needs.

As more Malaysians lead an active lifestyle, we expanded into sports nutrition with the introduction of 100PLUS PRO High Protein. Packed with electrolytes, Vitamin B, protein, and branched-chain amino acids (BCAA), this non-fizzy isotonic drink has been crafted to provide energy during strenuous exercise and facilitate muscle recovery post-training. I am proud to share that Malaysia's elite sportsmen and women were among the first to enjoy our designer sports drink and 100PLUS ACTIVE Powder at the 19th Asian Games and 4th Asian Para Games Held in Hangzhou.

Along with more frequent heat waves, we partnered with ASTRO and OMNIA Radio cruiser to provide the public nationwide with relief from the heat with Malaysia's leading isotonic drink, 100PLUS. We further stressed the importance of staying hydrated with roadshows in conjunction with World Hydration Day 2.0, allowing participants to enjoy various activities and stand a chance to win exclusive prizes, including jerseys autographed by badminton icon Datuk Wira Lee Chong Wei.

Our initiatives to bring the 100PLUS brand closer to consumers over the years resulted in it winning the Platinum Award in the Non-Alcoholic Beverage category at the Putra Brand Awards 2022, as well as the Top Growing Beverage Brand 2022 Award in the annual Kantar's Brand Footprint Award.



In Thailand, we hit the sweet spot with the launch of TEAPOT Evaporated Creamer UHT milk in 1L pack. Developed specifically with heavy users such as F&B outlets in mind, sales have grown by more than five times following its launch due to its usage convenience and more economical price.

As part of our continuous commitment to amplify the benefits of milk in Thailand, F&N Magnolia has introduced the "Tasty Goodness" campaign through a multi-faceted approach, blending both offline and online channels – promoting the pure goodness of milk for the health of the entire family. Various sampling activities were conducted in educational institutions and corporate offices to encourage the trial of our UHT milk, which is enriched with essential nutrients.



DEVELOPING OUR BUSINESS PARTNERS

Towards the end of FY2022, we established the F&N Business Partner Award Programme to help our suppliers elevate the quality of their services and grow regionally with F&N. Thirty-eight suppliers participated in this year's programme, and the Gold Award winner was honoured at the award ceremony in Bangkok on 7 October 2023.

In Thailand, we continue to build the capability of more than 2,000 farmers who supply our dairy operations through the Farming Excellence System. During the year, we conducted a comprehensive four-month programme on good agriculture and farming practices. We also established a learning centre at our manufacturing plant to create awareness of sustainable manufacturing practices.



“ ” **In Thailand, we continue to build the capability of more than 2,000 farmers who supply our dairy operations through the Farming Excellence System.**

For better engagement with the farmers, we leverage a dedicated mobile app that assesses adherence to Good Manufacturing Practice (GMP), the physical properties of raw milk, and monitors the wait and delivery time to F&N Dairies Thailand (F&NDT). This has helped reduce the delivery time of milk by a significant 70%.

Further enhancing delivery times, we extended THB1.1 million in assistance towards the development of a milk collection centre (MCC) for the Khao Yai Milk Cooperative in Nakhon Ratchasima. The MCC became operational in August 2023.

Meanwhile, to enhance water security for milk farmers in Saraburi Province, we also provided solar-powered water pumps to enable farmers to cultivate their own feed for their cattle while fostering sustainability in their operations. Notably, the solar cell water pumps helped farmers reduce their expenses, contributing to their economic well-being.

CHIEF EXECUTIVE OFFICER'S STATEMENT

ENHANCING OUR SOCIAL IMPACT

Beyond delivering value to consumers and fostering strong partnerships, we also play our part in contributing to a better society through initiatives targeted at enhancing the well-being of communities and our employees.

This year, we were very pleased to fully resume our festive community outreach activities. We were heartened to touch the lives of over 500 beneficiaries, including students from less privileged backgrounds, orphans, individuals with disabilities and senior citizens. This was made possible through donations, as well as the dedicated time and effort of our enthusiastic volunteers.

For over a decade, we have instilled environmental awareness among students through our annual nationwide school recycling programme. In this regard, we have forged strategic collaboration with GRAB Malaysia, KLEAN, and MRANTI to introduce 18 cutting-edge AI-powered Reverse Vending Machines across key locations in the Klang Valley. We strongly believe that the community at large will be agents of change that will work towards building a greener nation.



Contributing to a healthier society, we continue to grow our range of healthier options, ending the year with 65 products, constituting 64% of our total ready-to-drink (RTD) beverage and dairy portfolio endorsed with the Healthier Choice Logo (HCL) in Malaysia or Thailand. We are steadily progressing towards our goal of having healthier options making up two-thirds of our entire ready-to-drink portfolio by 2025. Notably, we also introduced our sugarless 100PLUS ZERO in a new 1.75L pack size, catering to the value-conscious consumer.

Meanwhile, through 100PLUS, we continue to promote sports development in the country as the hydration partner to the Football Association of Malaysia (FAM), the Badminton Association of Malaysia (BAM), the Malaysian Hockey Confederation and the National Sports Council. 100PLUS is also the official beverage partner of the Johor Darul Takzim and Selangor Football Club.



As with the community, we were delighted to be able to fully resume our employee engagement platforms post-pandemic. At the same time, we continue to place great emphasis on the safety and health of our employees, providing them with flu vaccinations and organising various health and safety programmes. This included Safety, Health and Environment (S.H.E) programmes at our offices and factories in both Malaysia and Thailand to raise awareness about the importance of safety, health, and the environment in the workplace. Partly thanks to our concerted efforts to foster a culture that emphasises safe behaviour among employees, we recorded zero lost time due to accidents in FY2023.

Central to well-being is a sense of safety from all forms of harassment. This year, we also rolled out an enhanced Prohibiting Sexual Harassment Policy across all our offices in Malaysia.

To maintain high levels of motivation and enhance our employees' professional development, we have also stepped up various training-related initiatives. Among others, we introduced a comprehensive F&N Leadership and Management Potential Unleashed (LAMP) Programme, which consists of modules on critical thinking, communication skills, personal development and leadership style. Through this programme, we seek to realise the leadership potential of our talent.



SUSTAINABILITY AT THE CORE OF OUR BUSINESS

As a responsible manufacturer, we recognise our duty to minimise emissions and play our role towards the transition to net zero. Investments made in recent years to replace fossil fuels with solar energy demonstrate our commitment in this regard. Besides operating one of the largest solar PV rooftop systems in Malaysia, we have implemented similar systems in our plants in Thailand. Plans are underway to extend solar roof systems to more facilities, including our factories in Rawang as we also explore other avenues to take our low-carbon journey further.

Recognising the growing interest from investors and stakeholders in our efforts to mitigate climate change and manage associated risks, we are progressively developing our Task Force on Climate-Related Financial Disclosures (TCFD). Our aim is to be fully compliant with this framework ahead of Bursa Malaysia's stipulated deadline of 2025.

To maintain an environmentally responsible supply chain, we have been conscious of using sustainably produced palm oil. In this regard, I'm proud to share that we are the first company in Malaysia to back 100% of the palm oil used in our product with RSPO credits. Our goal is to transition to 100% RSPO physically certified palm oil by 2025. In 2023, the Group utilised 60% Certified Sustainable Palm Oil, while the remaining 40% was through RSPO credits.

At our integrated farm, we are pioneering a comprehensive 'farm-to-bottle' concept by incorporating animal feed cultivation and a milk

processing facility within the dairy barn's vicinity. This innovative approach will allow us to produce not just the freshest milk but also in the most sustainable manner. The Group will also be able to reduce our overall carbon footprint by reducing the need to import milk.

It is heart warming to see our sustainability efforts continue to be recognised. Among the notable achievements this year include being ranked among the top six out of 101 beverage companies assessed globally in the 2022 S&P Global Corporate Sustainability Assessment. Additionally, we have not only maintained our inclusion in the FTSE4Good Bursa Malaysia Index and the FTSE4Good Bursa Malaysia Shariah Index, but we have also risen to the top 1% within our Supersector in the most recent FTSE4GOOD ESG rating.



CHIEF EXECUTIVE OFFICER'S STATEMENT



PERFORMANCE REVIEW

After three years of positive but subdued performance due to COVID-19, it was a cause for celebration to see that excluding contributions from Cocoland, our numbers exceed our top and bottom lines pre-pandemic. This was the result of contributions by all our business units, which are now reaping the benefits of a steady strengthening of operational efficiencies amid the challenging years.

Given the environment of high commodity prices, we reviewed our sales and marketing strategies, going back to basics as we focused on our core brands. In addition to demonstrating our commitment to delivering Pure Enjoyment, Pure Goodness via our anniversary campaign, we intensified our consumer engagement via brand investment activities focusing on F&N Carbonated Soft Drinks, F&N Magnolia, F&N SEASONS, 100PLUS, F&N Teh Tarik and NONA Ketupat, among other products.

Leveraging the return of tourists and out-of-home consumption, the team in Thailand focused on driving distribution and excellence in in-store execution together with brand building and consumer engagement. It also built on its strong relationship with hawkers via loyalty programmes and various brand engagement campaigns to boost sales, among which is the TEAPOT “Colour Your Life” campaign. The campaign also introduced its latest brand ambassador, the charismatic Thanapob Leeratanakajorn, to enhance brand visibility.

New to our portfolio during the year included 100PLUS PRO High Protein, NONA Ketupat Wangi Haruman Pandan, LOT 100 Kurma Gummy and a new packaging format for TEAPOT Evaporated Creamer UHT 1L in Malaysia. In Thailand, we unveiled our latest addition to the TEAPOT Sweetened Condensed Milk (SCM) Tube Nom Yen Flavour, inspired by the popular Thai pink milk.

Concerted efforts to create value for our customers and consumers contributed to F&NHB maintaining our market leadership in core categories. 100PLUS remains the undisputed No. 1 isotonic drink in Malaysia, where we are also leaders in the RTD tea segment, SCM and evaporated milk categories. In Thailand, we are No.1 in the total sweetened and evaporated milk categories, while in Cambodia and Laos, TEAPOT is the No. 1 condensed milk brand.



GROUP PERFORMANCE

For the financial year, the Group's revenue grew by 11.9% from RM4.47 billion in FY2022 to RM5.0 billion as sales volume picked up along with market recovery. Revenue growth also reflected successful price management strategies implemented the previous year, contributions by Cocoland and a rebound in exports to Africa, ASEAN, and Greater China.

Revenue from Exports grew by 22% to reach RM1.0 billion in FY2023, making up a significant 21% of the Group's total revenue, up from 19% in FY2022. The Group now exports to 93 countries, with key products being SCM and evaporated milk.

On the back of higher revenue, the Group's profit before tax (PBT) grew by 37.6% to RM624.7 million from RM454.1 million in FY2022. Excluding one-off non-operating items – mainly from fair value gain on the revaluation of equity interest in Cocoland before the privatisation exercise – the Group's PBT grew by 21.3% from RM472.9 million to RM573.9 million.

This result was also attributed to a concerted focus on margin improvement, operational excellence, supply chain management and sustainability initiatives, which helped to mitigate the impact of higher input costs and rising energy expenses. Consequently, the adjusted Group profit after tax for the year grew by 22.4% to RM489.7 million from RM399.9 million in FY2022 despite RM29.9 million higher interest costs to finance the recent strategic acquisitions.

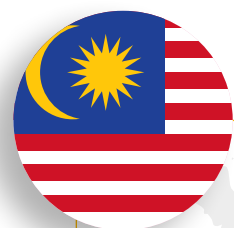
REVENUE
RM5.0
billion

FY2022: RM4.47 billion

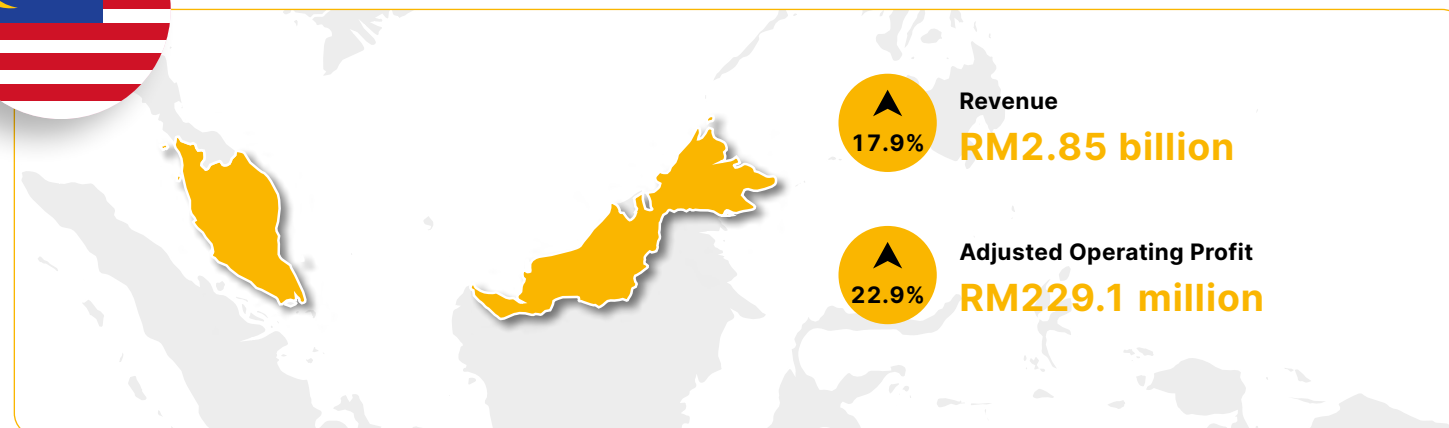
PROFIT BEFORE TAX
RM624.7
million

FY2022: RM454.1 million

CHIEF EXECUTIVE OFFICER'S STATEMENT



Food & Beverages Malaysia (F&B Malaysia)

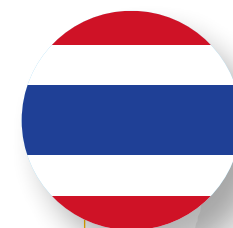


Recovery in out-of-home consumption together with increased sales during the festive seasons led to a 17.9% growth in revenue at F&B Malaysia to RM2.85 billion. Revenue was further boosted by contributions from Cocoaland and strong recovery in Exports in certain regions along with the growth of the business-to-business (B2B) channel.

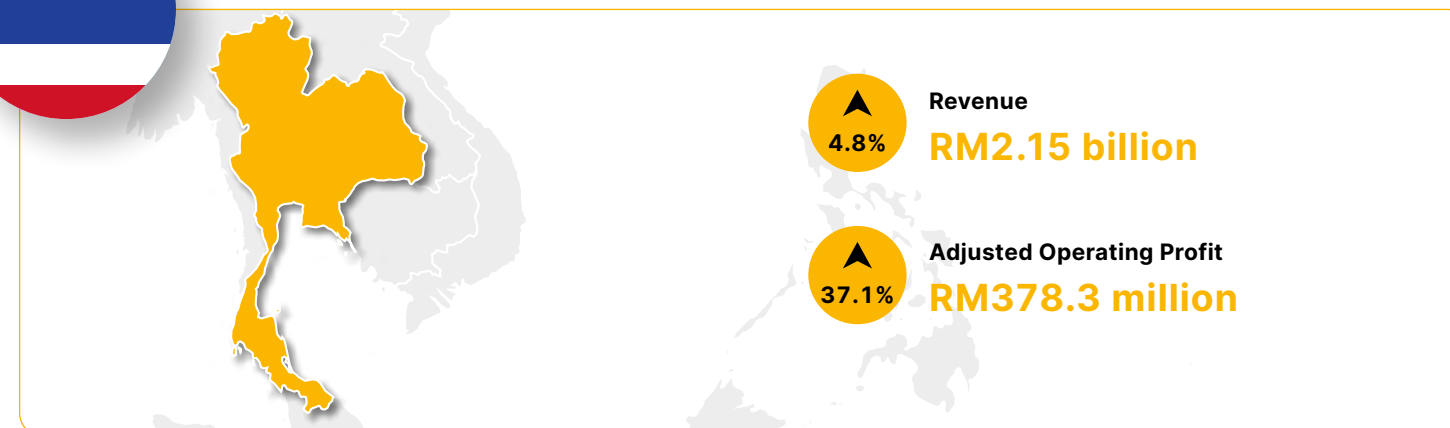
The new drinking water line in Kota Kinabalu Industrial Park (KKIP) contributed to higher water sales (Ice Mountain and Borneo). At the same time, perennial favourites, like F&N SEASONS and carbonated soft drinks also recorded increased sales volume during the year.



Underpinned by higher revenue, operating profit for F&B Malaysia (excluding one-off non-operating items) rose 22.9% to RM229.1 million compared to RM186.4 million in FY2022, partially offset by higher advertising and promotional spending and higher commodity costs.



Food & Beverages Thailand (F&B Thailand)



Focusing on efficient route-to-market and in-store execution, along with consistency in brand building and consumer engagement, F&B Thailand ended the year with revenue increasing by 4.8% (1.7% in Thai Baht) to RM2.15 billion from RM2.05 billion in FY2022. Supported by the recovery in tourism and out-of-home consumption, the result also benefitted from a favourable THB to MYR translation.

Strategic measures to manage price, better discount management and a strong market lead in the sweetened condensed and evaporated milk category helped moderate the increased input and packaging costs and higher advertising and promotions expenditure. The same pricing and discounting discipline also extended to Cambodia and Laos, where we also observed meaningful improvements in margins. Indochina margin improvements helped moderate the reduced orders from international export key accounts.

Driven by operational efficiencies and better margin management, F&B Thailand achieved solid margin recovery from the second quarter onwards and saw its operating profit excluding one-off non-operating items grow stronger by 37.1% (33.0% in Thai Baht) to RM378.3 million compared to FY2022.

Exports ex-Malaysia

Our Exports team has adeptly leveraged our business intelligence tools to navigate the headwinds posed by the increased cost of commodity prices and competition. This, together with the strengthening of our key accounts management, enabled us to tap into recovering markets such as Africa, ASEAN, and China.

Focusing on product application, we achieved solid growth in the B2B channel while expanding the distribution of our own-brand product in the Middle East and North Africa (MENA) region, as well as China. In addition to contributions from Cocoaland, Exports benefitted from tactical pricing and a strategic portfolio mix.

CHIEF EXECUTIVE OFFICER'S STATEMENT

OUTLOOK AND GOING FORWARD

The coming financial year is likely to remain volatile due to ongoing geopolitical issues with the prices of commodities and other goods and services remaining high. Yet, we believe we have developed strong fundamentals to navigate future uncertainties.

The Group has managed to maintain growth in its existing food and beverage business while integrating new businesses and setting up its agriculture pillar. This is a testament to our people's adaptability, and our resilience as an organisation.

With our dairy farm in Gemas, we are suitably prepared to support the Malaysian Government in its ambition to create food security. We also have big plans for developing our Halal food pillar, leveraging the strengths of Cocoland and the synergies with NONA and the Group.



Our focus in FY2024, as in FY2023, will be on strengthening our existing brands. We are excited about the launch of BORNEO SPRINGS. Complementing the pristine water sourced from a 130-million-year-old forest, we have designed the packaging to be optimally eco-friendly, featuring FSC™-certified paper and bottle caps made from sugar cane. We believe BORNEO SPRINGS has the potential to become a flagship product going forward.



In East Malaysia, we also look forward to the recovery in tourism and a concomitant increase in investment into the region.

In Thailand, we will capitalise on the tourism resurgence while continuing to meet customers' and consumers' needs with thoughtfully curated products. We also want to improve our penetration drive into more rural retailers so as to benefit from the digital wallet initiative proposed by the new Thai Government whereby all Thais aged 16 and above get 10,000 Baht.

As I write, we are gearing up to celebrate TEAPOT's 15th anniversary in Thailand, Cambodia and Laos starting October 2023.



We are also optimistic about sustaining the momentum in Exports, given the gradual reopening of the global economy post-pandemic. Growth in ASEAN and China will have particularly positive spinoffs for F&NHB as they represent our key markets.

We will continue to rein in our costs focusing on digitalisation to reduce manual labour and the use of natural resources while enhancing productivity. Concurrently, we will continue to strengthen our sustainability platform. Investments made to date have ensured that we integrate environmental and social principles into our operations for optimum long-term outcomes. This is part of our commitment to creating real value for the wide range of stakeholders who are part of the F&N ecosystem.

ACKNOWLEDGEMENTS

It was simply fantastic to be able to celebrate our 140th anniversary in a year that was very positive for F&NHB. For this, there are many parties to thank.

As always, I would like to acknowledge our shareholders for your trust in our ability to deliver; our business partners and suppliers for sharing our vision and values and being there with us on our growth journey; our customers for your consistent support over the years; and, of course, our consumers who truly are top of mind in everything we do. Our success depends on continuously delivering our promise of Pure Enjoyment, Pure Goodness to you.

It is also with heartfelt gratitude that I would like to thank the entire F&NHB family. It is because of your unfailing commitment to the Group that we have been able to get to where we are today. Thank you to all our directors for your steady guidance and confidence in the team. Most of all, thank you, *terima kasih* and *kop khun krub* to all our employees for your determination and dedication to the Group's ongoing journey. With your continued support, we will reach greater heights as we move Forward Together into what promises to be a very exciting future.



[Signature]

LIM YEW HOE
Chief Executive Officer