BOTTLED WATER IN INDONESIA

DATE : 13 – Nov - 2018
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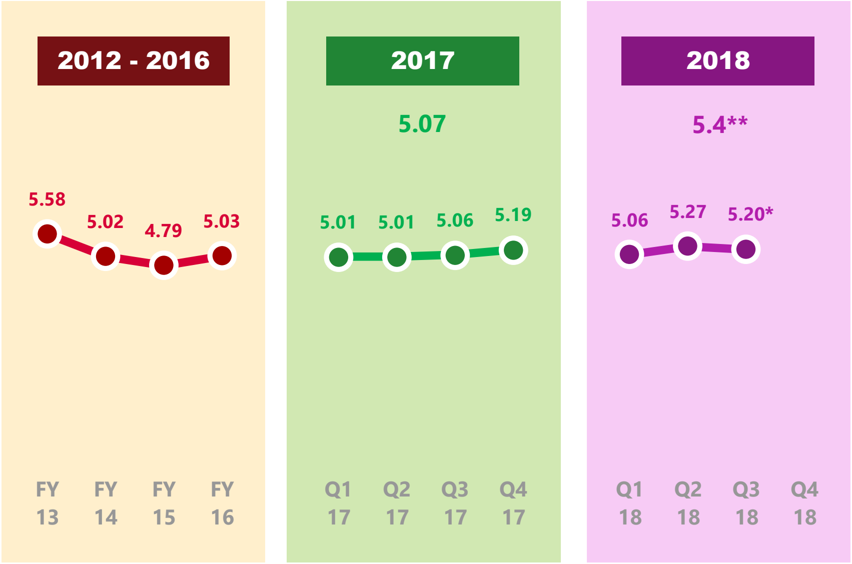
PREPARED FOR : Indonesian Water association

INDONESIA MACROECONOMY INDICATOR

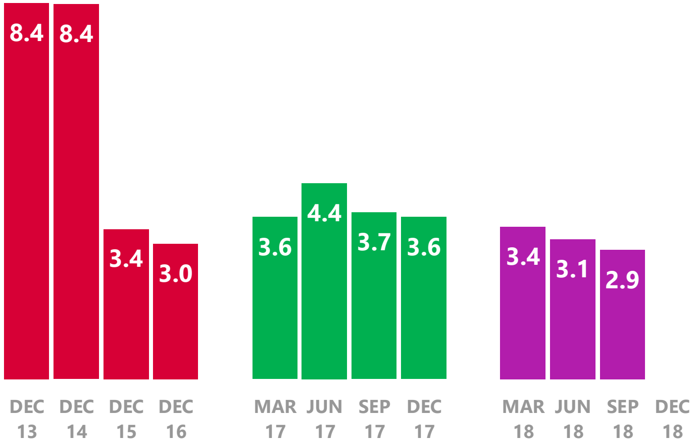
BPS

Indonesian economy in Q3 2018 is expected to grow steadily below the government target. However the inflation rate is moving slower in the past one year.

GDP GROWTH (%)



INFLATION MAT (%)



*) FORECASTED BY THE TRADING ECONOMICS
**) GOVERNMENT'S ASSUMPTION ON APBN 2018
SOURCE: BPS.GO.ID

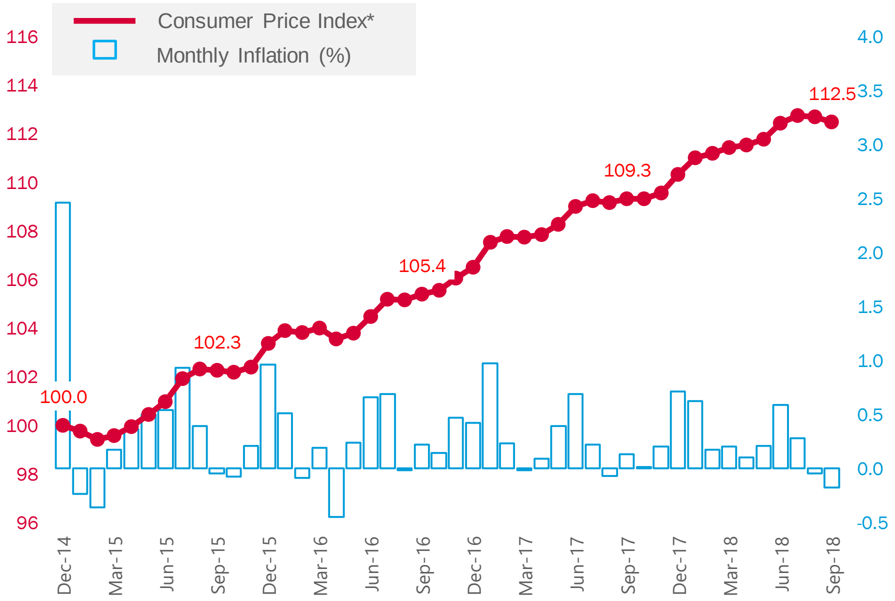
INDONESIA INFLATION DETAILS

The slower inflation is driven by Household Expenditure and Transportation-communication-services parts. However, the Prepared Food-Bev.-Cig. parts are still increase steadily in this year.

INFLATION COMPOSITION

COMMODITY	2017	MAT18	YTD 2018
FOOD RAW MATERIAL	1.3	3.8	1.6
PREPARED FOODS, BEVERAGES & CIGARETTE	**4.1**	**4.0**	**3.1**
HOUSEHOLD EXPENDITURE	5.1	2.1	1.6
CLOTHES	3.9	3.1	2.7
HEALTHY	3.0	3.1	2.5
EDUCATION, RECREATION & SPORT	3.3	3.2	2.9
TRANSPORTATION, COMMUNICATION, &SERVICES	4.2	1.8	1.0
INFLATION	3.6	2.9	1.9

MONTHLY INFLATION & CPI

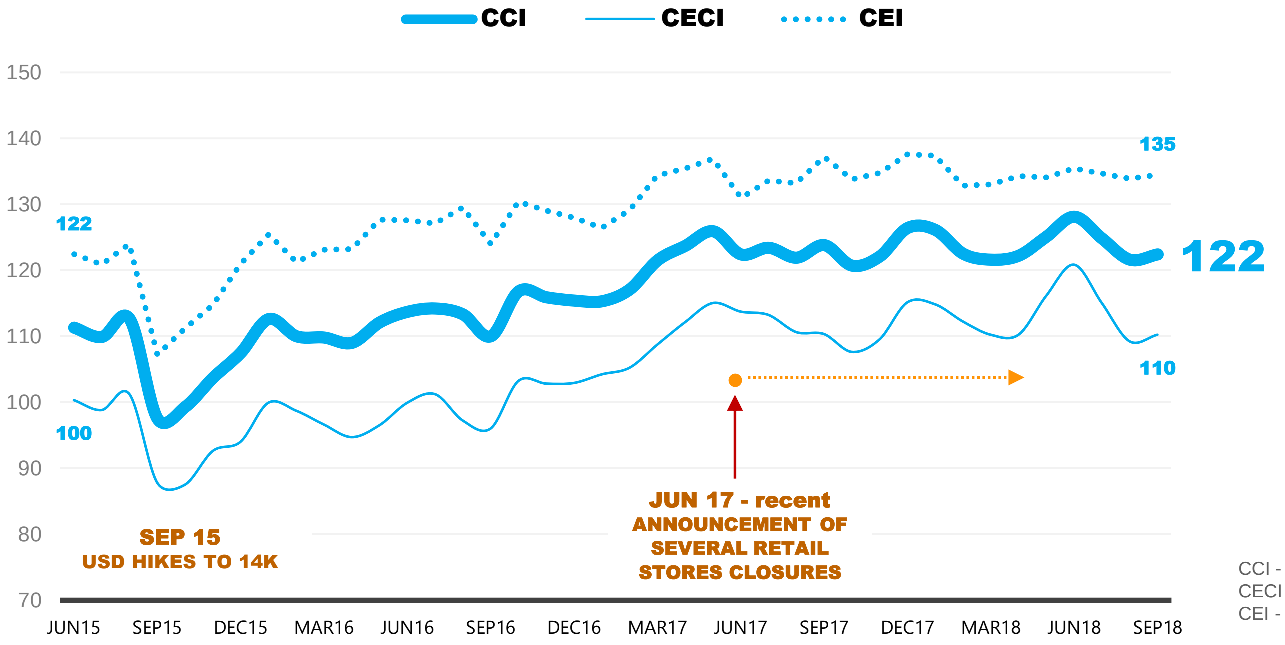


SOURCE: BPS.GO.ID

CONSUMER CONFIDENCE (BANK CENTRAL)

BANK INDONESIA

Indonesian consumer confidence level relatively unchanged since mid of last year.



CONFIDENCE ABOUT FUTURE CONDITION

135

SEP'18

CONFIDENCE ABOUT CURRENT CONDITION

110

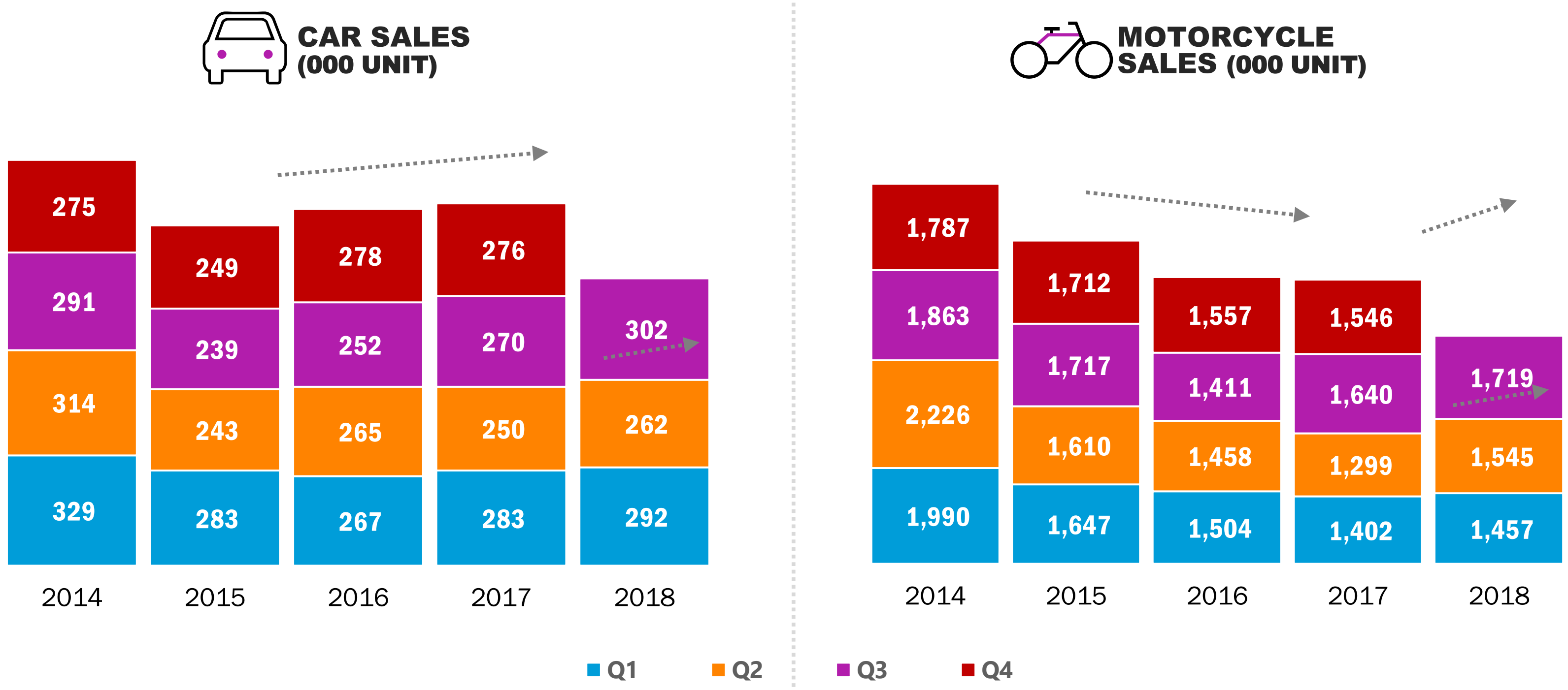
CCI - CONSUMER CONFIDENCE INDEX
CECI - CONSUMER ECONOMIC CONDITION INDEX
CEI - CONSUMER EXPECTATION INDEX

SOURCE: BANK INDONESIA

CONSUMER BIG TICKET PURCHASE

Car sales is still growing positively with several new model introduced to the market. Motorcycle sales is showing positive sign until Q3 this year.

GAIKINDO AISI



SOURCE: ASSOCIATION NUMBERS (GAIKINDO AND AISI)

IN-HOME PURCHASE SHOWED SIMILAR TREND

CPS

IN-HOME CONSUMPTION

	VALUE CONSUMPTION GROWTH (VS YA)	AVG. PRICE/ EQL VOLUME		VALUE CONSUMPTION GROWTH (VS YA)	AVG. PRICE/ EQL VOLUME
	MAT 18	% GROWTH		MAT 18	% GROWTH
FMCG	**2%**	**1%**	**FMCG**	**2%**	**1%**
FOOD	3%	1%	COOKING AID	3%	0%
			INSTANT FOOD	0%	1%
			SNACK & CONF.	7%	3%
BEVERAGES	1%	0%	DAIRY	1%	0%
			NON RTD	3%	3%
			RTD	-1%	0%
PERSONAL CARE	2%	3%	BEAUTY	1%	3%
			BASIC PC	3%	3%
HOMECARE	3%	2%	HOMECARE	3%	2%
PHARMA	-8%	-3%	PHARMA	-8%	-3%

SOURCE: NIELSEN CPS DATA

HOW IS HH PURCHASE ON FMCG ?

- **UPPER SES**: Rationalize increased spending by utilizing promotion
- **MIDDLE SES**: There is a tendency that they are holding up their spending towards FMCG, moving to smaller pack
- **LOWER SES**: As they are still relying on FMCG, still try to catch up with rising price by reducing purchase, due limited cash outlay.

FMCG PURCHASE	IDR SPEND	KG/L	UNIT	SHOPPING TRIP
TOTAL PANEL GROWTH	2.0%	0.4%	0.1%	-4.7%
UPPER (15%)	5.0%	8.2%	2.8%	1.5%
MIDDLE (54%)	1.6%	-1.9%	0.8%	-4.6%
LOWER (31%)	0.6%	-4.5%	-2.0%	-6.4%

4.0 AND ABOVE%	BETWEEN 4.0% TO -4.0%	-4.0 AND BELOW

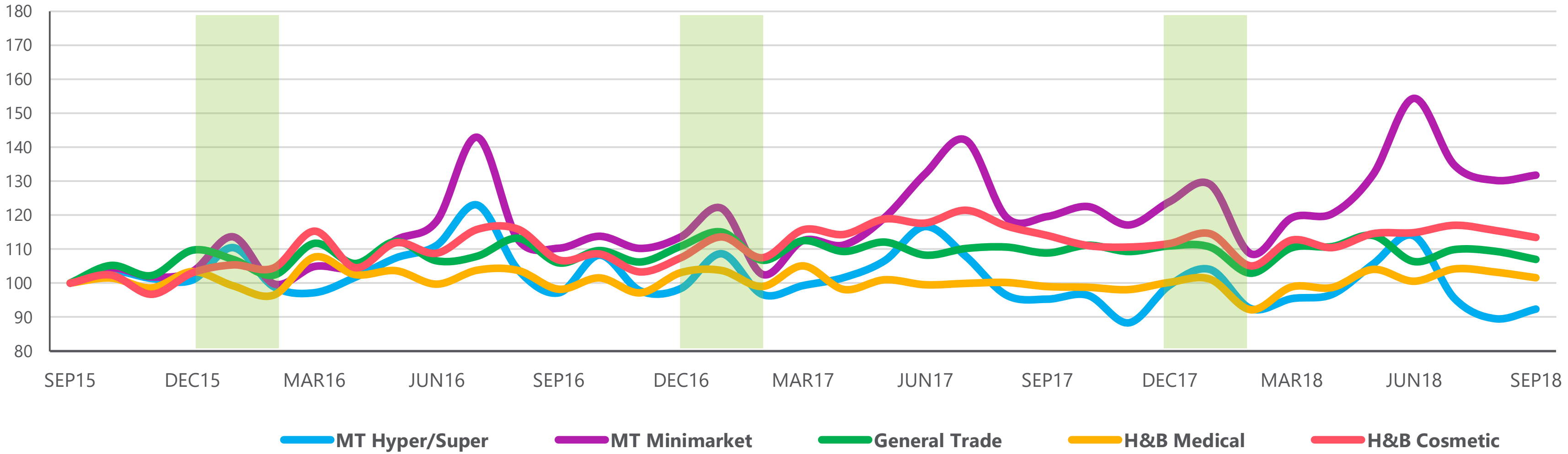
SOURCE: NIELSEN CPS DATA – FMCG ONLY

CHANNELS DYNAMIC

Positive growth is still happening in minimarket, yet it is below the expansion growth.

		TOTAL (%CONT)	HSM (13%)	MM (31%)	GT (54%)	HBM (1%)	HBC (2%)
GROWTH (%)	SEP18	2	-3	10	-2	3	-1
	P3M	-0	-7	4	-1	3	-2
	P6M	2	-5	8	-0	2	-2
	P12M	1	-5	7	-1	-0	-1
STORE GROWTH 17 VS 16			***0***	***9***	***1***	***1***	***4***

VALUE (Rp) INDEX – SEP'15



SOURCE: NIELSEN RMS DATA

SUMMARY

THE MARKET TREND

- **The fundamental of economy is expected to grow steadily with relatively slower inflation rate.**
- **Consumer confidence relatively stagnant in the past 1.5 year** , only increased during festive, but still willing to spend on big ticket purchase such as car and motorcycle.

FMCG PERFORMANCE

- **FMCG industry is adjusted post festive period**. However several category groups show recovery indications especially Dairy and Personal Care categories due to minimum average price increase.
- **Area wise, Jakarta Greater is still in declining mode.** While Outer Java region are continue showing better growth. **Minimarket** is still the fastest growing channel helped by the store expansion.

PURCHASE BEHAVIOR

- Consumer still slowly increase spending for FMCG in home consumption with adjustment on their shopping trip:
    - Especially for Middle and Lower SES that tend to manage their spending by **adjust their shopping frequency**.
    - Lower SES is the one that mostly impacted by price increase.
- Upper class household still increase FMCG spending by **benefiting promotions**.

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MINERAL WATER

The Recovering of Mineral Water

INTRO ON HOW NIELSEN DATA IS COLLECTED

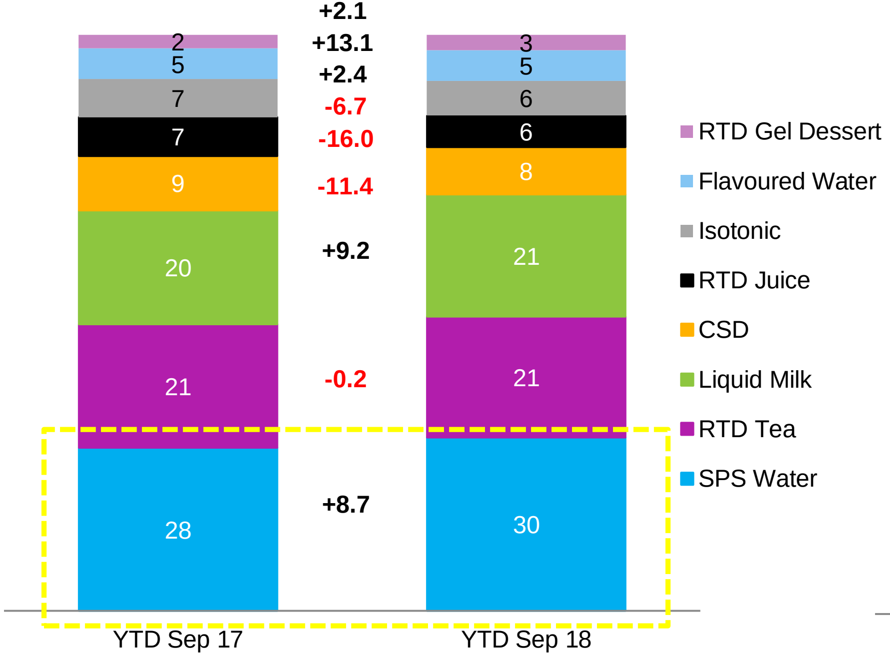
NON GALLON REMAIN AS THE BIGGEST CONTRIBUTOR IN RTD BEVERAGE

It also become total market driver along with Liquid Milk, whereas most other categories move to opposite direction – besides RTD Gel Dessert

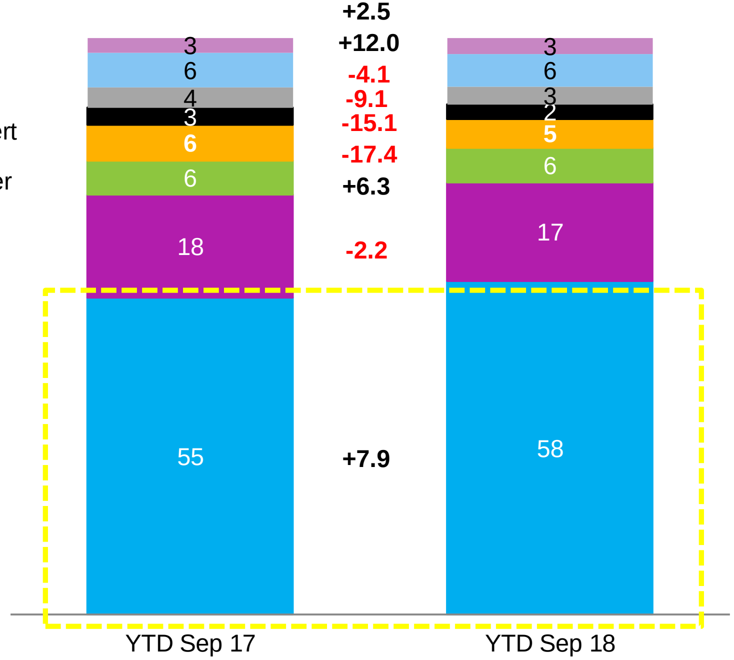
44,526 Bio IDR
Growth YTD Sep'17: +1.3%
Growth YTD Sep'18: +2.1%

6.365 Bio L
Growth YTD Sep'17: -2.5%
Growth YTD Sep'18: +2.5%

Value Contribution to RTD Beverages – Total Indonesia



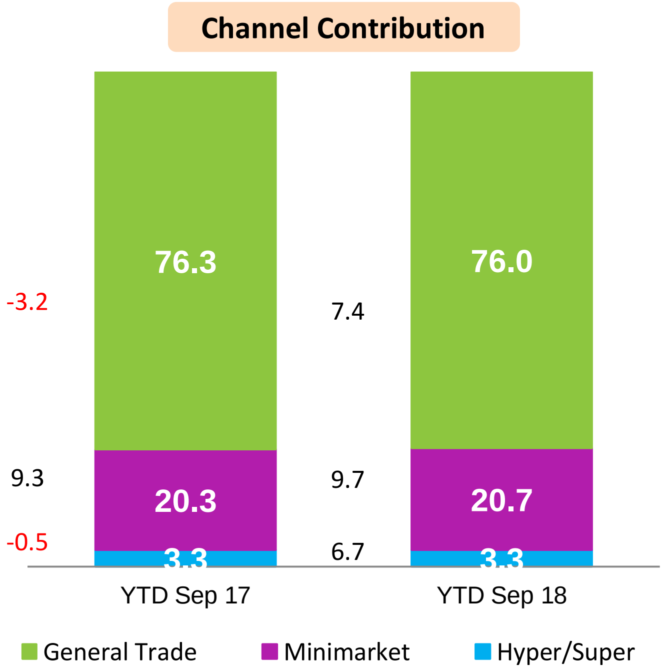
Volume Contribution to RTD Beverages – Total Indonesia

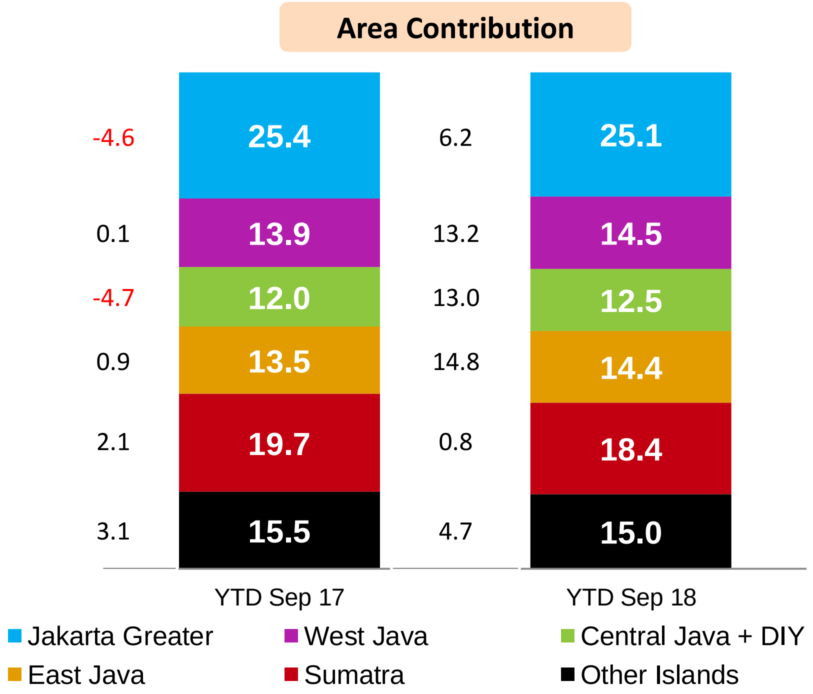


GT AS THE BIGGEST CONTRIBUTOR DRIVES THE MOST ACROSS REGION ESPECIALLY JAVA ISLAND

The performance is driven by all players.

Indonesia by Channel & Region | Mineral Water Non Gallon | Vol Contribution & Growth | YTD Sep





RETAILER ARE WILLING TO CARRY MORE SKUS IN JAVA ISLAND

The increasing of distribution across the region happened across main players. In term of retailer support, Java Island have the importance since the retailers are carrying more SKUs compared to Sumatra and Other Island.

Indonesia by Region | Mineral Water Non Gallon | Numeric Distribution, Average SKU Carried | Jan & Sep

Numeric Distribution	SEP16	SEP17	SEP18
Indonesia	79	80	83
Jakarta Greater	88	85	88
West Java	72	73	77
Central Java + DIY	74	74	77
East Java	74	81	82
Sumatra	85	85	89
Other Islands	83	82	88

Avg SKU Carried	JAN16	SEP16	JAN17	SEP17	JAN18	SEP18
Indonesia	2.7	2.7	2.8	2.9	3.1	3.1
Jakarta Greater	4.2	4.1	4.1	4.5	4.5	4.6
West Java	3.2	3.2	3.2	3.4	3.5	3.5
Central Java + DIY	3.5	3.5	3.5	3.8	3.8	3.8
East Java	3.6	3.6	3.6	3.8	3.8	3.8
Sumatra	2.6	2.8	3.0	3.1	3.1	3.2
Other Islands	2.9	3.0	3.1	3.1	3.1	3.1

JAVA ISLAND IS THE MAIN OPPORTUNITY AREA FOR MINERAL WATER

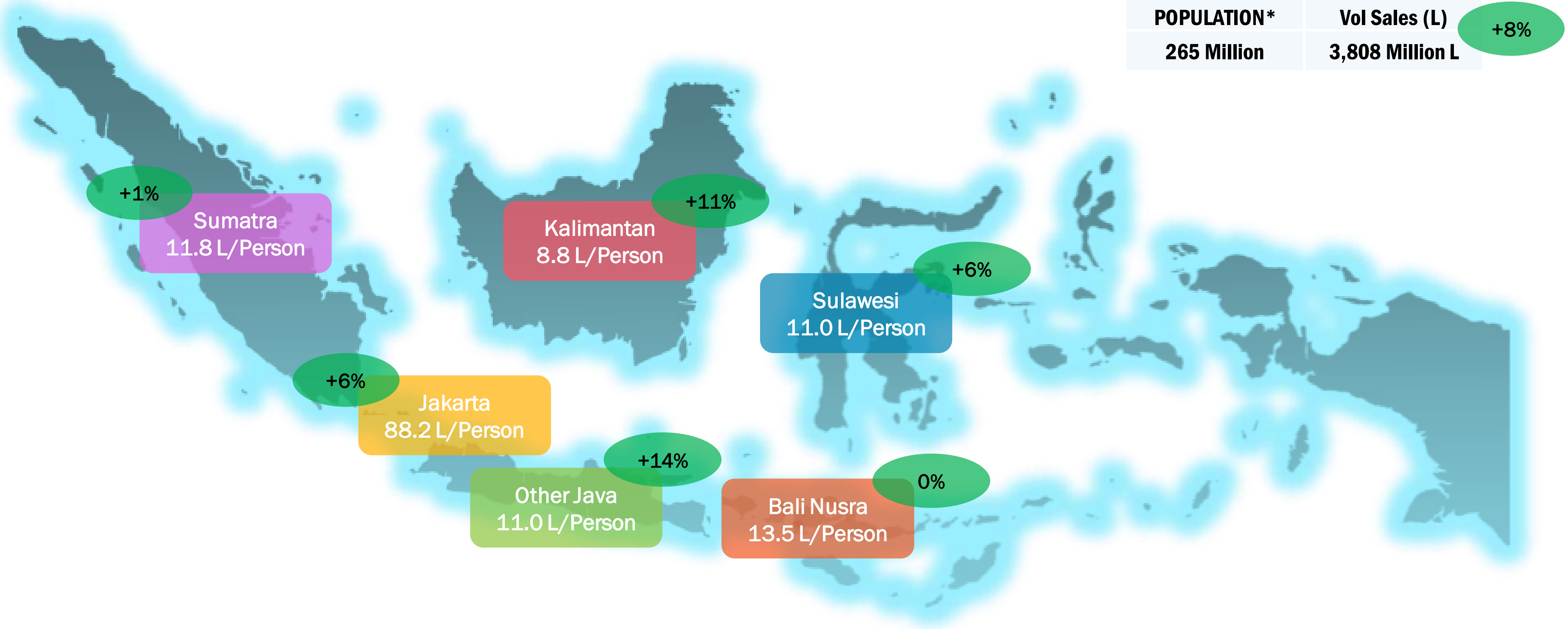
Consumption of Mineral Water (non-gallon) in Java Island area still holding the most, moreover the growth is also faster.

RMS

Volume (L)/People | YTD SEP 2018

INDONESIA POPULATION*	Mineral Water Vol Sales (L)
265 Million	3,808 Million L

+8%

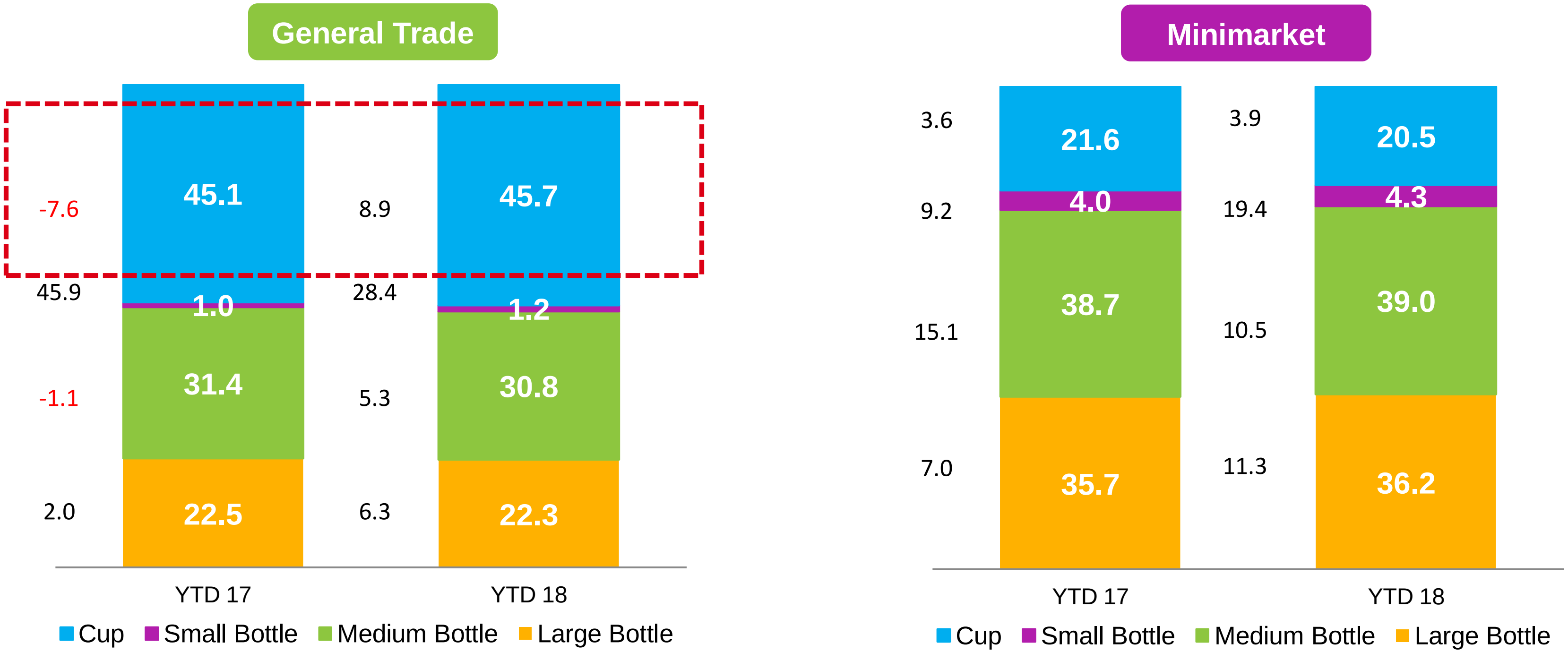


*BPS Projection of 2018 Indonesia Population

CUP'S RECOVERING IN GT IS THE KEY DRIVER

Aside from Cup, Medium Bottle is also helping GT performance. Minimarket performance on the other hand is driven by all packtype.

General Trade & Minimarket | Mineral Water Non Gallon by Packtype | Vol Contribution & Growth | YTD Sep



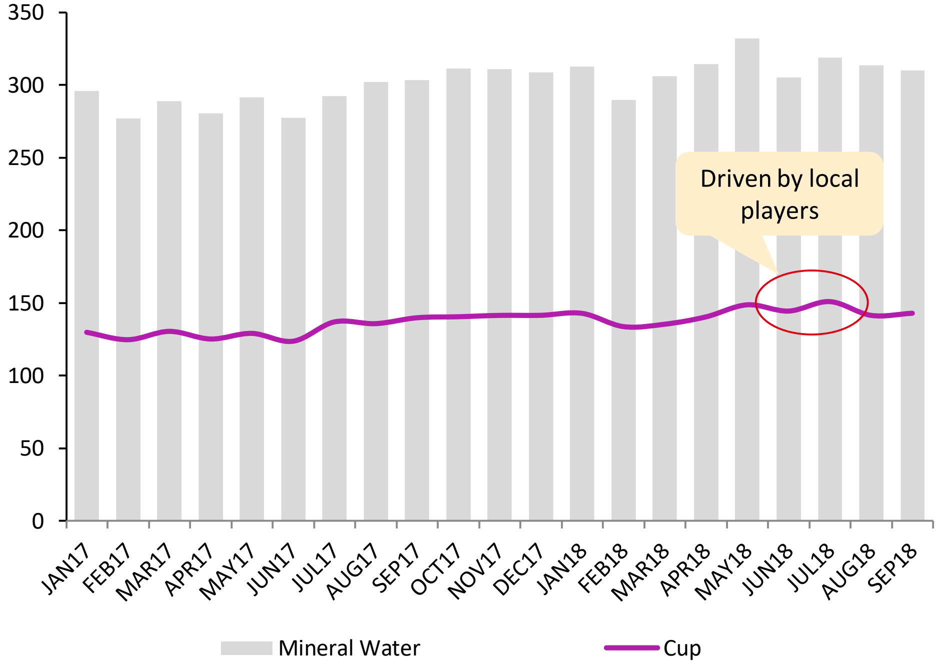
CUP

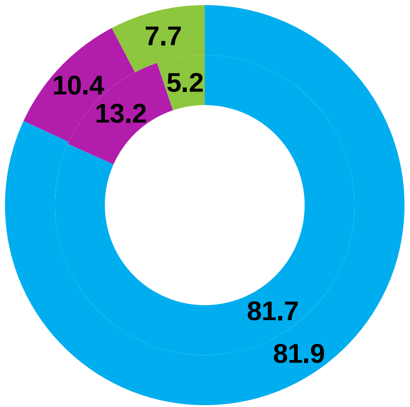
Local Players Move Faster

FROM JUL 17 THE TREND KEEP INCREASING WITH IDR 500 PLAYERS AS THE DRIVERS

After festive in Jul 17, the trend continue to increase, mostly driven by players who use price point 500.

General Trade | Cup | Vol Contribution & Growth | YTD Sep





Inner Circle = YTD Sep 17
Outer Circle = YTD Sep 18

Vol Growth YTD 18 vs YTD 17	
Cup	8.9
< 500	9.3
500 - 1000	-14.1
> 1000	62.9

* Aqua start to downsize from Jun 18

* > 1000 segment is multipack

THE INCREASE OF DISTRIBUTION IMPACTING TOP GAINERS

Distribution hold important role to boost top gainers' performance which mostly driven by local players.

General Trade by Region | Top Brands | Vol Share, Share Change, Growth, ND | YTD Sep 18

Jakarta Greater GT (20.2% | +7.6)

Top 5 Gainers	Vol Share to Cup	Share Change vs YA	% Vol Growth	ND	
				Sep 17	Sep 18
Clif	3.7	2.2	+++	4	4
Gunung	6.5	2.1	57.5	8	10
Sanqua	12.9	2.0	27.2	12	9
Club	5.3	1.4	46.7	2	3
Vola	1.9	1.2	+++	1	3

West Java GT (14.9% | +17.3)

Top 5 Gainers	Vol Share to Cup	Share Change vs YA	% Vol Growth	ND	
				Sep 17	Sep 18
Gunung	13.5	6.5	+++	2	2
Minola	4.0	3.4	+++	2	2
Viola	3.9	2.1	+++	3	2
Stream	3.3	1.9	+++	2	2
Asmi	4.4	1.9	+++	1	7

Central Java + DIY GT (10.4% | +14.9)

Top 5 Gainers	Vol Share to Cup	Share Change vs YA	% Vol Growth	ND	
				Sep 17	Sep 18
Finale	13.8	6.3	+++	NA	1
Aziza	4.4	2.6	+++	0	1
Cleo	3.6	1.5	98.2	1	1
Total	2.4	1.2	+++	1	1
Vit	15.0	1.1	23.8	11	15

East Java GT (15.8% | +19.6)

Top 5 Gainers	Vol Share to Cup	Share Change vs YA	% Vol Growth	ND	
				Sep 17	Sep 18
A3	7.7	5.5	+++	1	2
Prigen	2.2	1.9	+++	0	0
Aqnu	1.4	1.4	NA	NA	1
Viand	4.2	1.3	72.6	2	1
Vega	1.3	1.3	NA	NA	1

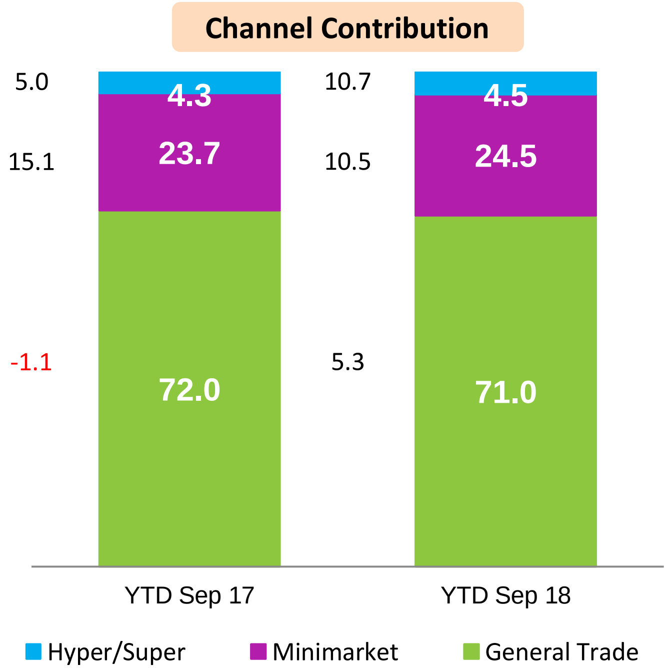
MEDIUM AND LARGE BOTTLE

Top Players Drive the Market

MAIN PLAYERS ARE DRIVING MEDIUM BOTTLE IN MINIMARKET AND GT

Top 5 players is the key that Medium Bottle move faster especially in GT, affected by the increasing of distribution (+3 vs Sep 17). Big 5 players are also doing good in Minimarket even with relatively stable distribution.

Indonesia by Channel | Mineral Water Medium Bottle | Vol Contribution & Growth | YTD Sep 17 vs YTD Sep 18



Players in Minimarket	Vol Share YTD 18	Vol Growth vs YTD 17	ND Max	
			Sep 17	Sep 18
Top 5 Players	87.5	10.3	98	98
Other Players	12.5	12.2	62	66

* Top 5 Players : Aqua, Le Minerale, Nestle Pure Life, Ades, Club

Players in GT	Vol Share YTD 18	Vol Growth vs YTD 17	ND Max	
			Sep 17	Sep 18
Top 5 Players	70.6	7.2	57	60
Other Players	29.4	1.1	3	4

* Top 5 Players : Aqua, Le Minerale, Club, Oasis, Vit

3000 – 5000 SEGMENT WORKS THE MOST

Strong brand image might the key for Medium Bottle as cheaper price is not main factor to drive the performance.

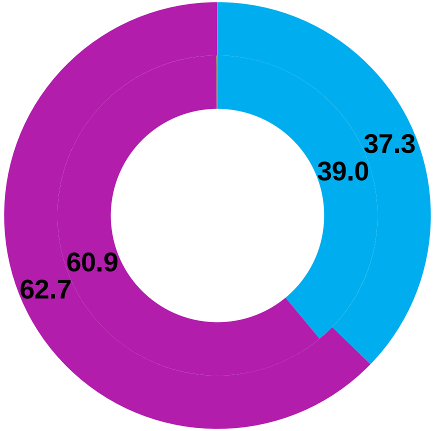
Indonesia by Channel | Mineral Water Medium Bottle | Vol Contribution & Growth | YTD Sep 17 vs YTD Sep 18

Minimarket

Inner Circle = YTD Sep 17
Outer Circle = YTD Sep 18

Vol Growth YTD 18 vs YTD 17	
Medium Bottle	10.5
< 3000	8.5
3000 - 5000	14.0
>= 5000	-8.2

General Trade



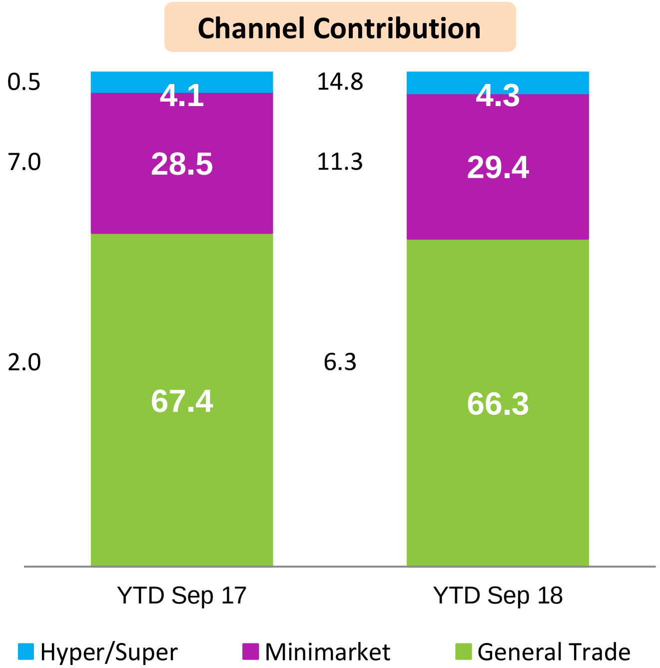
Inner Circle = YTD Sep 17
Outer Circle = YTD Sep 18

Vol Growth YTD 18 vs YTD 17	
Medium Bottle	5.3
< 3000	0.7
3000 - 5000	8.4
>= 5000	

TOP 5 PLAYERS ALSO HOLD IMPORTANT ROLE IN LARGE BOTTLE

Top 5 players is the key that Medium Bottle move faster especially in GT, affected by the increasing of distribution (+4 vs Sep 17). Big 5 players are also doing good in Minimarket even with relatively stable distribution.

Indonesia by Channel | Mineral Water Large Bottle | Vol Contribution & Growth | YTD Sep 17 vs YTD Sep 18



Players in Minimarket	Vol Share YTD 18	Vol Growth vs YTD 17	ND	
			Sep 17	Sep 18
Top 5 Players	84.6	15.6	98	98
Other Players	15.4	-7.6	34	34

* Top 5 Players : Aqua, Nestle Pure Life, Club , Le Minerale, Vit

Players in Minimarket	Vol Share YTD 18	Vol Growth vs YTD 17	ND	
			Sep 17	Sep 18
Top 5 Players	82.3	7.4	46	50
Other Players	17.7	1.5	1	2

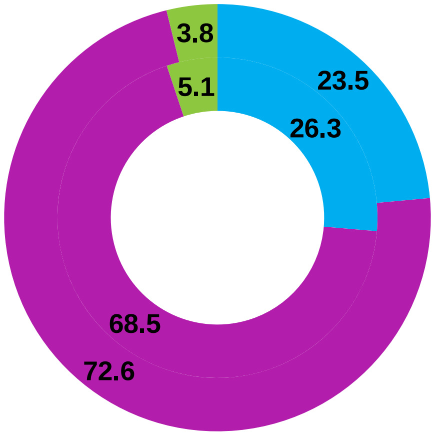
* Top 5 Players : Aqua, Club, Vit , Oasis, Le Minerale

5000 – 6000 SEGMENT WORKS THE MOST

Similar with Medium Bottle, strong brand image might the important key for Large Bottle.

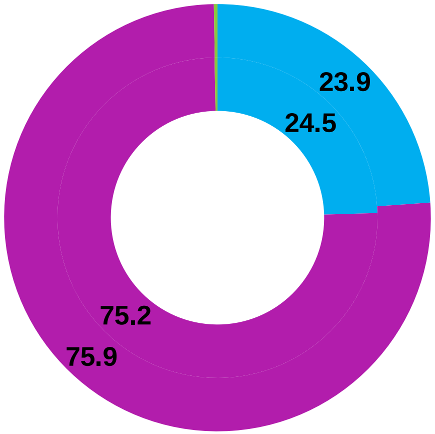
Indonesia by Channel | Mineral Water Medium Bottle | Vol Contribution & Growth | YTD Sep 17 vs YTD Sep 18

Minimarket



Vol Growth YTD 18 vs YTD 17	
Large Bottle	11.3
< 5000	-0.6
5000 - 6000	17.9
> 6000	-16.6

General Trade



Vol Growth YTD 18 vs YTD 17	
Large Bottle	6.3
< 5000	3.4
5000 - 6000	7.3
> 6000	-1.0

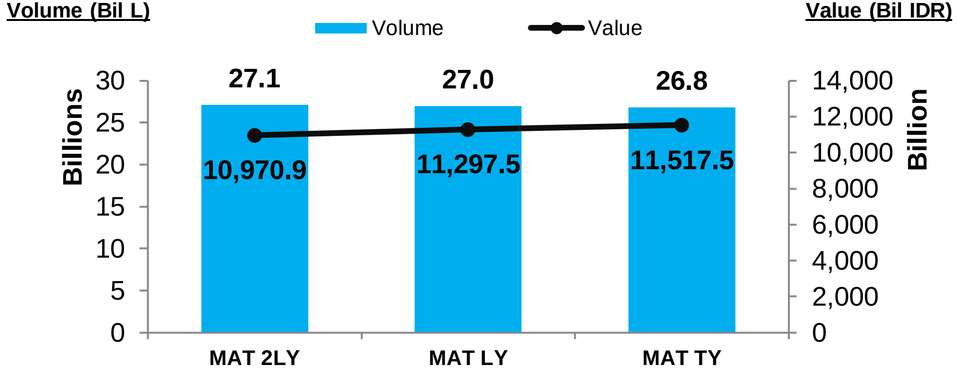
GALON

Branded vs unbranded

GALLON MINERAL WATER CATEGORY IS LOSING BUYERS BUT THE REMAINING BUYERS STILL MANAGED TO MAINTAIN ITS VOLUME AND SPENDING

Total Indonesia I Volume, Value, Growth I Gallon Mineral Water I MAT Sep 2018 vs LY

Category Performance

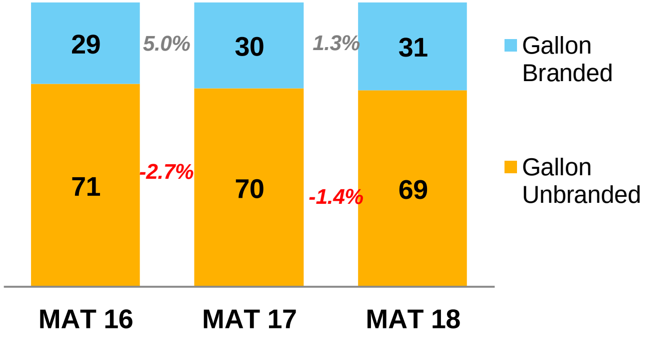


Price/ liter IDR	404.5	418.5	429.1
Price Growth (%)		+3.5	+2.5

Growth %	MAT LY	MAT TY
Volume	-0.5	-0.6
Value	3.0	1.9

Key Performance Indicator	Growth/Chg MAT LY	Growth/Chg MAT TY
Penetration (%) 40.3	-5.7 pts	-2.7 pts
AWOP (L) 1,001.2	+11.4%	+4.5%
Spend/Buyer (Rp) 430K	+15.2%	+7.1%

Volume Cont. (%)

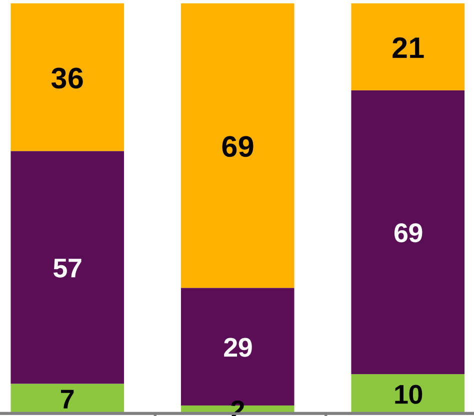


BRANDED IS SKEWED TO UPPER SES, AND UNBRANDED IS SKEWED TO MIDDLE LOWER

Nevertheless, Upper is still able to pick the category up, while middle lower are unable to do so. Total Sumatera and Jakarta Greater are seen to drive total category

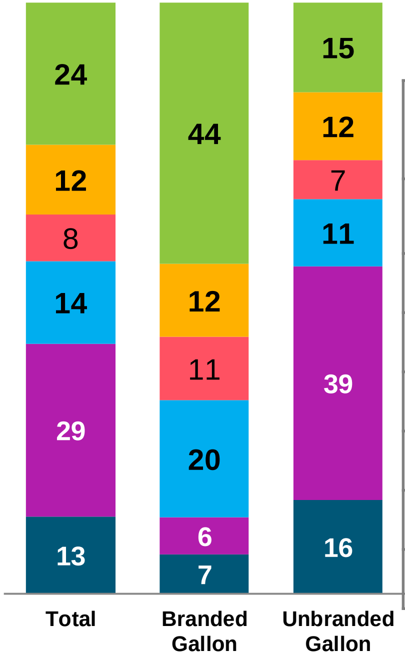
Total Indonesia I Volume Cont. (%), KPI I Gallon Mineral Water Branded vs Unbranded I MAT Sep 2018 vs LY

Volume Cont. (%) by SES



Growth (%)	Total	Branded Gallon	Unbranded Gallon
Total	-0.6	1.3	-1.4
Upper	10.2	8.6	12.6
Middle	-4.5	-12.3	-2.9
Lower	-14.8	-11.4	-15.0

Volume Cont. (%) by Region



Growth (%)	Total	Branded	Unbranded
Total	-0.6	1.3	-1.4
Jakarta Greater	-1.9	0.3	-4.6
Total West Java	-0.8	4.6	-3.2
Total Central Java	3.2	-0.2	5.8
Total East Java	-0.3	-1.5	0.7
Total Sumatra	1.6	5.7	1.4
Total Other Island	-4.9	9.7	-7.2

Summary

Cup

- The market is driven by local players which move faster by increasing the distribution in main areas
- Price point 500 works the most for Cup
- Opportunity lies in Java Island as the growth is faster than Outer Java, however outer java is also has big potential as it is not yet developed.

Medium & Large Bottle

- Medium and Large Bottle driven mostly by top 5 players which holds around 80% share.
- Top 5 players dominate the market as the distribution Is higher compare to any other brands
- roles as
act

Will be improved by Nielsen