



Dutch Lady Milk Industries Berhad

61st Annual General Meeting
Tuesday, 28 May 2024, 10am



Our Integrated Reporting Journey

2023 report is a step-up in terms of defining the scope of our material matters, including value created and distributed to different stakeholders, and our alignment to Bursa disclosure requirements.

WHAT:

Integrated Reporting <IR> helps demonstrate how we are well-positioned to create value for both our shareholders and stakeholders in the short, mid, and long term.

WHY:

Beyond financial performance for the year, <IR> helps establish the relationships and interactions between our business and stakeholders, towards shaping a resilient, responsible and rewarding business.

HOW:

<IR> principles help retain focus and communicate on the most material aspects of our purpose, people, performance and potential.



DLMI's Integrated Annual Report 2023



Nourishing
Our Planet
and People
in Every
Stage of Life

Integrated
Annual Report 2023



7 Focus Areas, 10 Material Matters

In 2023, we narrowed down some of our material matters for better focus – Diversity & Inclusion and Well-being have been isolated from 'Purpose and Culture', which was reported in 2022.



BETTER NUTRITION

Nourishing the Nation

- Nutrition & Product Responsibility
- Innovation & Technology



BETTER CLIMATE

Shaping a Carbon Neutral Future

- Energy, Water, Waste & Emissions



BETTER PACKAGING

Aspiring to be 100% Circular

- Recovery & circularity



BETTER SOURCING

Striving to be 100% Responsible & Catalysing Domestic Milk Supply

- Responsible Supply Chain



BETTER PEOPLE

Promoting Holistic Wellbeing

- Diversity & Inclusion (D&I)
- Employee Experience
- Well-being & Growth



BETTER SOCIETY

Catalysing Farmers & Communities

- Farmers & Communities



BETTER GOVERNANCE

Going Beyond Compliance

- Social & Economic Continuity

Better Nutrition

92.6%*

Compliance with Global Nutritional Standards (GNS)

* Total DLM (IMY, SG & Brunei) | In Scope: CD, MIFT, & Friso

65%*

Products with Healthier Choice Logo

* Malaysia Only | Total Consumer Dairy

100%*

Halal Certified Products

* Total DLM (IMY, SG & Brunei) | In Scope: CD, MIFT, Friso, & FCP



Better Sourcing

100%

Responsibly Sourced/RSPO-Certified Palm Oil

100%

Responsibly Sourced Cocoa

100%

FSC/ PEFC Certified Paper for all Product Packaging

80%

of top spend suppliers completed the EES&G Due Diligence

RM533.2 million

in Annual Spends on Local Suppliers



Better Climate

0.138^

TCO₂ emissions/ton of product

Total energy consumption (MW)

47,112.51

1.19

Energy (GJ/ton)

Scope 1

5,957.4 emissions in tonnes of CO₂e

Scope 2

13,747 emissions in tonnes of CO₂e

Scope 3

1,291.14 emissions in tonnes of CO₂e (only business travel and commuting)

3.64

(m³/ton) Water Intensity Reduction

684,442 m³

Total volume of water used

ZERO

Waste to Landfill

* Boundary Defined: DLM Production Facility @ Petaling Jaya, Malaysia

Sustainability Performance Dashboard 2023



Better Packaging

Consumer Dairy Products

92.5%*

Packaging recyclable- all materials

69.99%*

Packaging recyclable- plastics

Specialised Nutrition Products

77.8%*

Packaging recyclable- all materials

20.3%*

Packaging recyclable- plastics

* Includes primary, secondary and tertiary packaging.



Better People

75%

of Board Positions and 44% of Executive Positions (Top Management) held by women

8.55%

Voluntary Attrition Rate vs. 11.24% in 2022 and 11.8% Mercer industry average

75%

Score on engagement index vs 81% in 2022 and 76 External Benchmark

36 days

Average time to fill (Closed Positions only) vs 65 days in 2022 and 90 days industry benchmark

32.75

Average training hours per employee Vs 20.8 Hours per employee in 2022

3%

of employees that are contractors or temporary staff

0.11*

Total Recordable Frequency Rate (TRFR)

ZERO

Number of work-related fatalities

73

Employees' Growth Score vs 72 Glint External Benchmark

68.5%

of employees trained on health and safety standards

* Lost Time Accident Rate (LTAR) OR Lost Time Incident Rate (LTR) as a metric has been replaced with TRFR as a better indicator of safety and wellbeing, also in alignment with our Global office.



Better Governance

Company-wide Communication and Training

on anti-bribery and corruption which took into consideration the provisions of the Malaysian Anti-Corruption Commission Act 2009 (Corporate Liability Provision)

Company-wide Communication

on Grievance and Whistle Blowing Platform, Speak-Up

Company-wide Roll-out of Compass toolkits

to promote awareness and adoption of key policies

Briefing Materials on Doing Honest Business Policy and MACC Corporate Liability Provision

86% of Directors,

90% of Senior Managers,

98% of Managers/Professionals,

97% of Executives/ Para-Professionals and

68% of Union members have completed training on anti-bribery and corruption which took into consideration the provisions of the Malaysian Anti-Corruption Commission Act 2009

100%

of operations assessed for corruption-related risks

ZERO

confirmed incidents of corruption recorded for the year

ZERO

substantiated complaints concerning breaches of customer privacy and losses of customer data recorded for the year



Better Society

42.3

million litres

of milk sourced from local farms

RM79,588

contributed to local communities, benefitting 35,716 children and 840 community members.

653

Farmers benefitted from **Farmer2Farmer** programme to advance sustainable farming practices since 2013

4.3 million

Students benefitted from distribution of **217 million packs** under school milk programme since 2011

Financial Highlights 2023

Revenue

RM1,442.8 million

2022: RM1,339.4 million

Net Profit

RM72.4 million

2022: RM46.3 million

Operating Profit

RM100.0 million

2022: RM56.4 million

Market-Value Share

28.2%

(NielsenIQ) 2022: 26.7%

Dutch Lady Milk Industries Berhad Key Priorities: 4Ps



PURPOSE



DUTCH LADY®

PURPOSE

Nourishing our Planet & People in Every Stage of Life



Susu Penun Krim



GUNA SEBELUM



DUTCH LADY®

PEOPLE



DUTCH LADY®

PERFORMANCE



Month	Dutch Lady	Tam Fresh	Goodday	Margal	ISO
Jan 21	37.0	10.8	13.1	10.0	10.0
Jan 21	36.6	10.8	13.1	10.0	10.0
Feb 21	36.6	10.8	13.1	10.0	10.0
Mar 21	36.6	10.8	13.1	10.0	10.0
Apr 21	36.6	10.8	13.1	10.0	10.0
May 21	36.6	10.8	13.1	10.0	10.0
Jun 21	36.6	10.8	13.1	10.0	10.0
Jul 21	36.6	10.8	13.1	10.0	10.0
Aug 21	36.6	10.8	13.1	10.0	10.0
Sep 21	36.6	10.8	13.1	10.0	10.0
Oct 21	36.6	10.8	13.1	10.0	10.0
Nov 21	36.6	10.8	13.1	10.0	10.0
Dec 21	36.6	10.8	13.1	10.0	10.0
Jan 22	42.0	10.8	13.1	10.0	10.0



Friso®

POTENTIAL





Nourishing Our Planet and People in Every Stage of Life

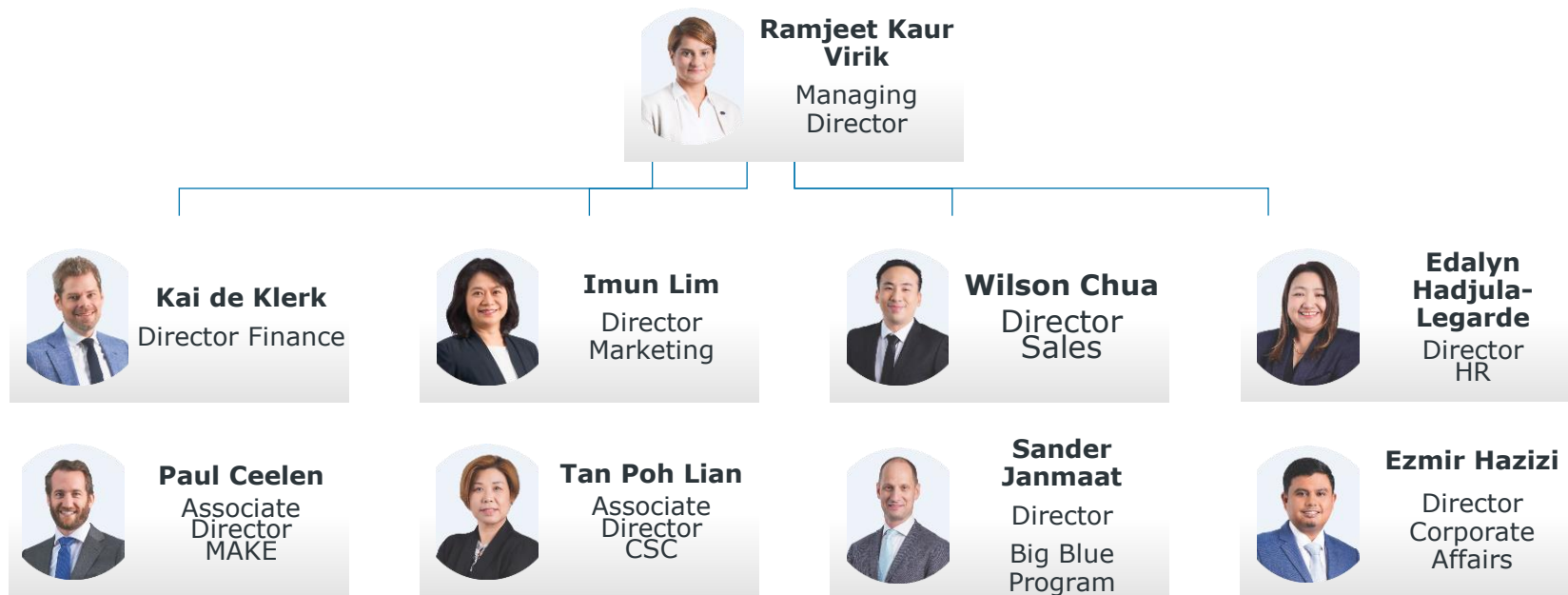




Name: Ramjeet Kaur Virik
Function: Managing Director,
Dutch Lady Milk Industries Bhd

***“My Core Purpose is to energise others and enable everyone
to achieve their full potential”***

DLMI Management Team Members





PEOPLE



Listening to Our People to motivate positive performance



Employees recognised “Action Taking”, “Continuous Improvement” and “Decision-making” as key strengths



Increased take-up rate of on-site psychological safety services and rise in Speak-Up cases



We signed our first collective agreement with Food Industry Executive Staff Union (FIESU), a testament to the firm commitment and commendable industrial relations

Assessing best practices to **improve workplace environment**



1st Dairy Company to be recognized as one of the Top Employers in Malaysia.

Assessment of **20 Topics & 350 People Best Practices** helping to prioritise changes beyond processes, controls and operations.

Engaging people to **promote Diversity & Inclusion**



Organised 'Safe Space Sessions' to foster greater understanding and inclusivity within our workplace.



Continued to promote the spirit of MADANI values through cultural gatherings and celebrations with our diverse people



Collaborate with industry associations and purposeful institutions to raise awareness on gender diversity and male allyship.

PERFORMANCE

DUTCH LADY®

PURPOSE




GUNA SEBELUM

DUTCH LADY®

PEOPLE



DUTCH LADY®

PERFORMANCE

Winning Profitably



Year	Dutch Lady	Tam Fresh	Goodday	Margal	IBO
2011	33.6	10.8	17.1	10.0	10.0
2022	42.0	10.0	10.0	10.0	10.0

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POTENTIAL




Key 2023 Macroeconomic Highlights: A year of moderate economic growth, weakening ringgit with rising interest rates & inflation

Volatile cost of doing business

Home > News > Tariff Surcharge Of 20 sen For MNCs From January 2023
Tariff Surcharge Of 20 sen For MNCs From January 2023
 By Editor > December 16, 2022



Softening Dairy commodity prices, yet increased cost of labour, energy and taxes



Ringgit Malaysia remained volatile and weakened further impacting input costs

Regulations, Policies and Mandates



Geopolitics - Conflicts in Ukraine and Middle East cause uncertainty, disruptions in supply chain & create inflationary shocks



Inflation in the food category puts pressure on Malaysian households.



2023 Recap: Year of Construction



Continued to Win in the market across categories – Continuous Share Improvement

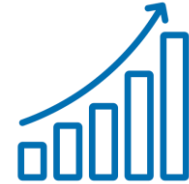
Big Blue Construction & Transitioning



The future is now!



Delivering Profitable Growth



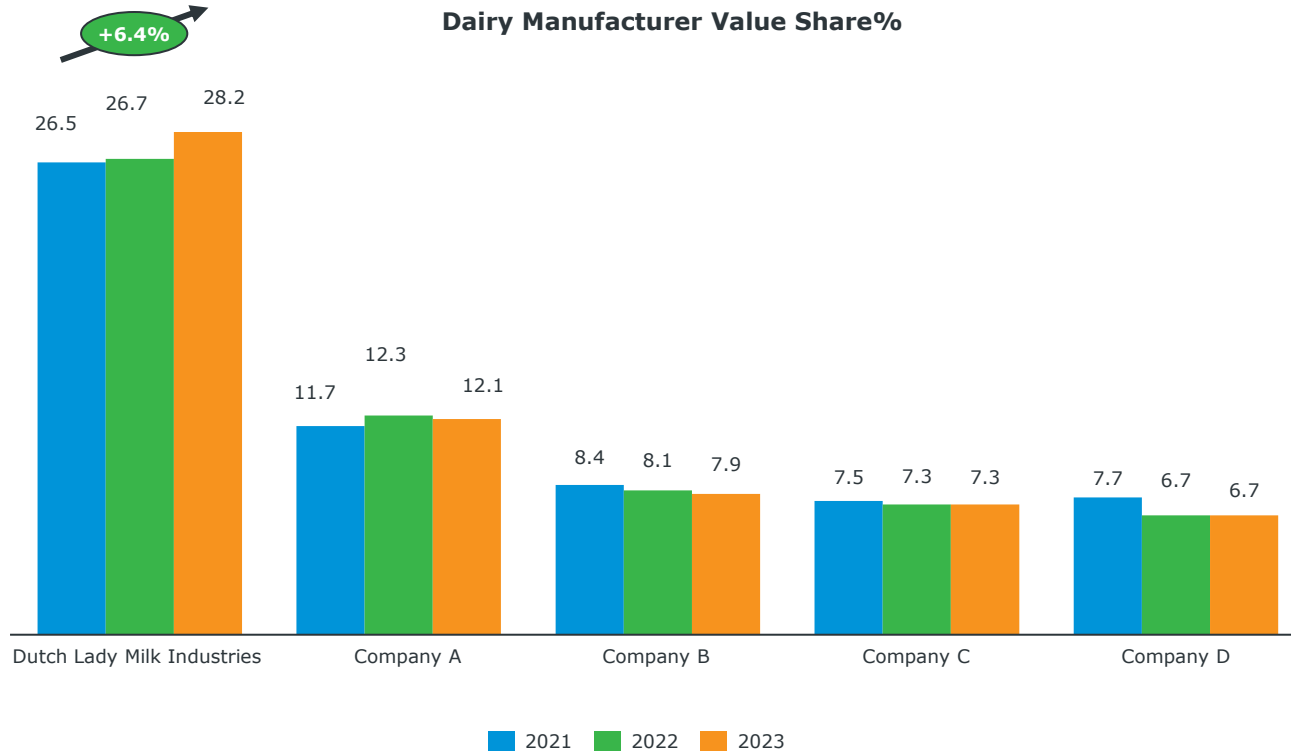
Operating Profit and Net Profit Growth

Accelerated Sustainability



Established Key Fundamentals To Protect Our License To Operate

We continue to grow & be the leading dairy company in Malaysia...



... through **WINNING** the Hearts & Minds of Malaysians



- Brand of the Decade & No.1 Most Chosen Brand in the Dairy Category*
- Reach 14.4 million Malaysians
- 131 million packs sold in 2023
- 214 million packs distributed under the School Milk Programme since 2011

*(Kantar's Brand Footprint 2023)

Targets for 2023 met on the back of increased demand for DLMI's dairy nutrition, revenue growth management, cost and cash consciousness.

Net Sales
RM1442.8m

Adj. Profit
Before Tax*
+38.5%
RM155.6m

Net Operating Cash
Flow
+RM53.0m
RM206.6m

Net sales growth
+7.7%
RM103.4m

Adj. Net Profit*
+30.1%
RM117.3m

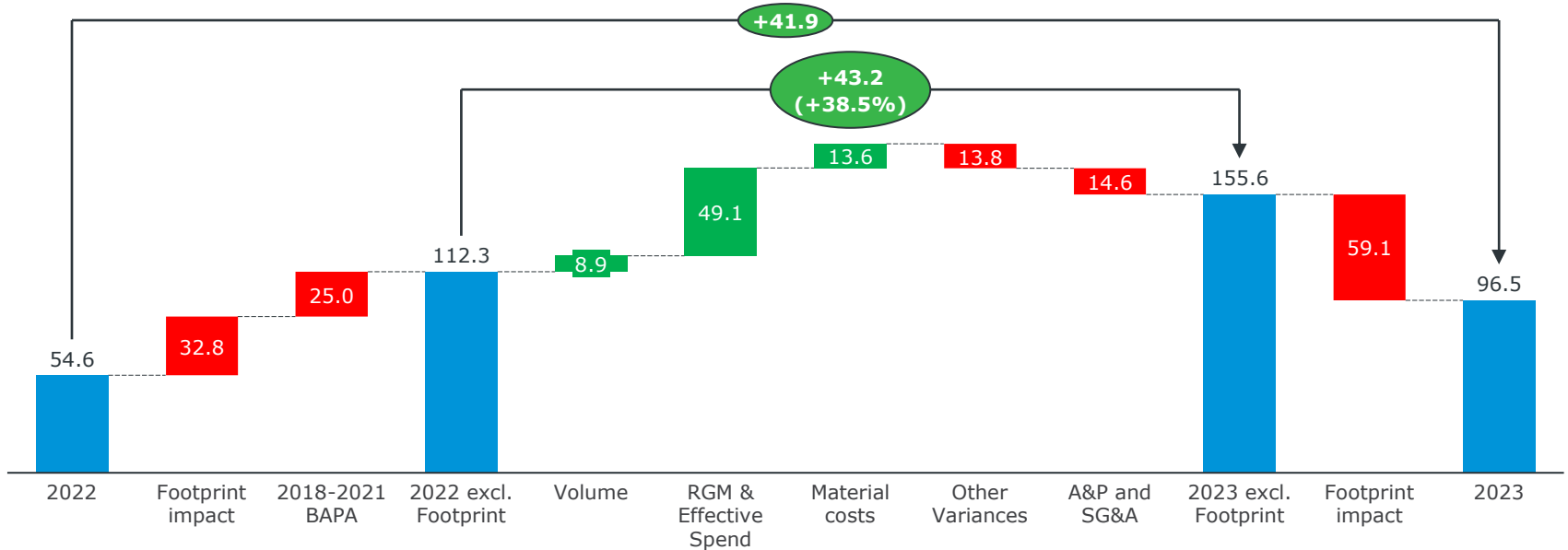
Adj. EPS*
+30.1%
RM1.83

*Adjusted Profit before tax and Net Profit and Adjusted EPS is excluding accelerated depreciation and one-off impacts

Profit before Tax:

Strong Demand and Revenue Growth Management, upside in raw material costs off set by negative inventory revaluation, A&P and SG&A.

In RM mln

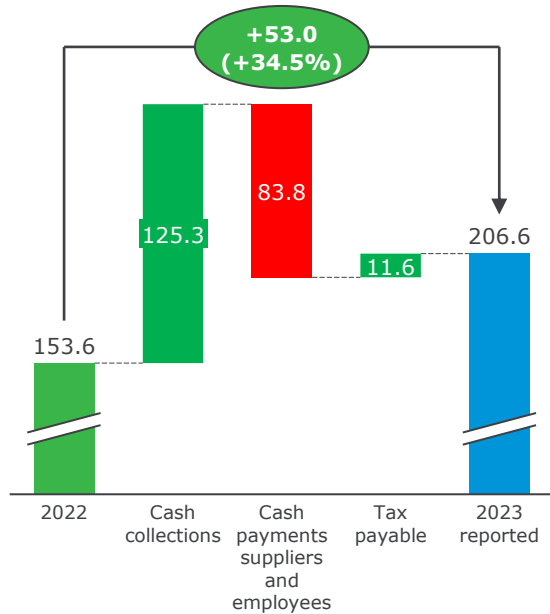


Cash Flow:

Strong CF from operating activities with improved business performance and lower tax payable, reinvested in CAPEX lowering the cash balance.

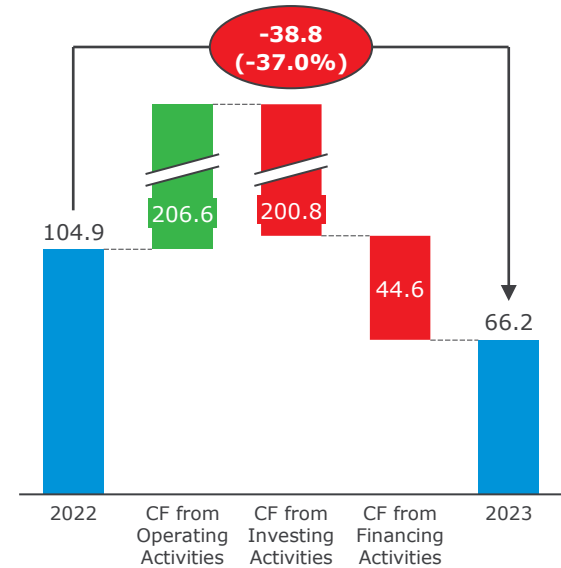
Cashflow from operating activities

In RM mln



Cash balance

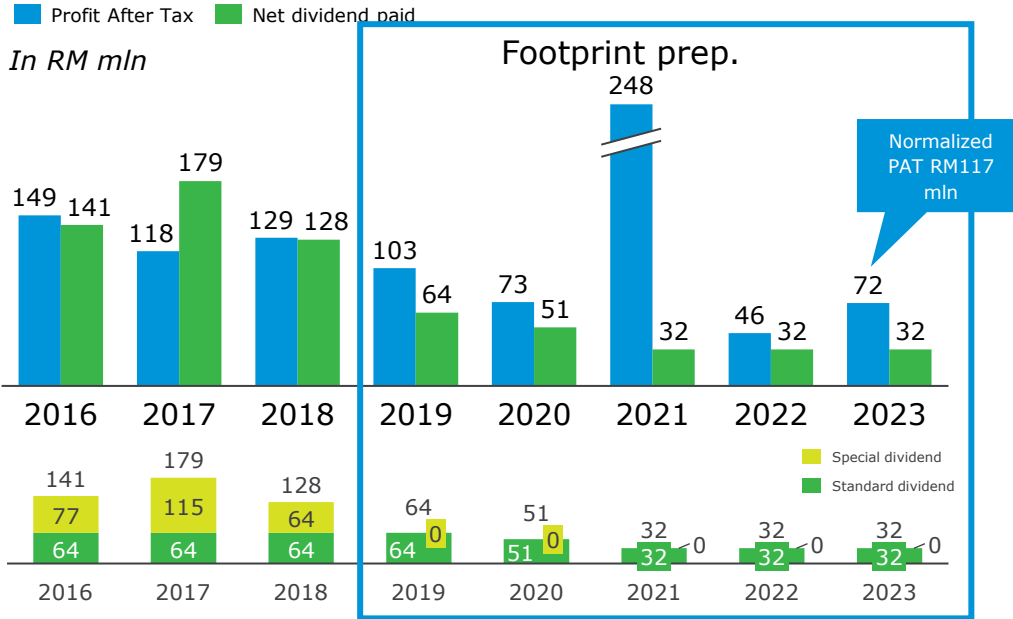
In RM mln



Dividend payment

Dividend of RM 0.25 per share in H1 and H2 2023. Dividend pay-out in line with 2022, to enable internal financing of new manufacturing facilities.

Net Dividend pay-out vs Profit After Tax



Net Dividend pay-out per quarter

Dividends in RM mln	Q2	Q4	2023 Paid
	Standard RM0.25 per share	16.0	16.0
Dividend Pay-out amount	16.0	16.0	32.0

2023

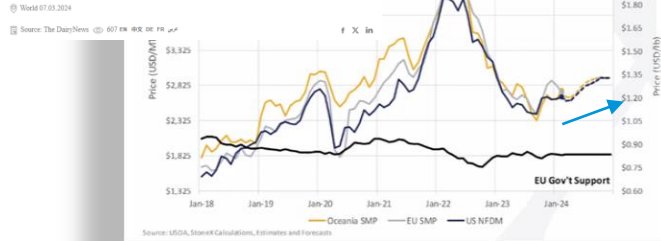


2024

2024 Industry Outlook:

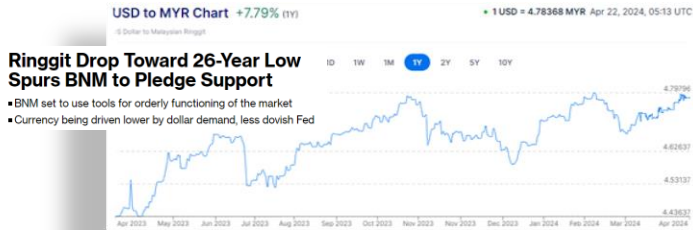
Milk prices expected to increase slowly but steadily, weak MYR and inflation remains a challenge, with increasing cost of doing business

Rabobank anticipates a gradual uptick in dairy commodity prices



Source: USDA StoneX Calculations, Estimates and Forecasts; Rabobank

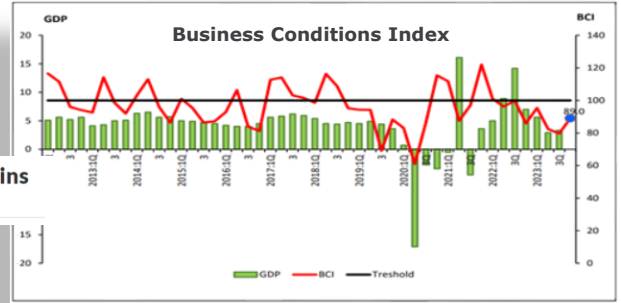
USD:RM Apr 2023 – Apr 2024



Source: XE.com, April 2024; Bloomberg (April 15, 2024)

Budget 2024: SST increased to 8%, capital gains tax at 10% and luxury goods tax introduced

Source: The Star, 13 October 2023

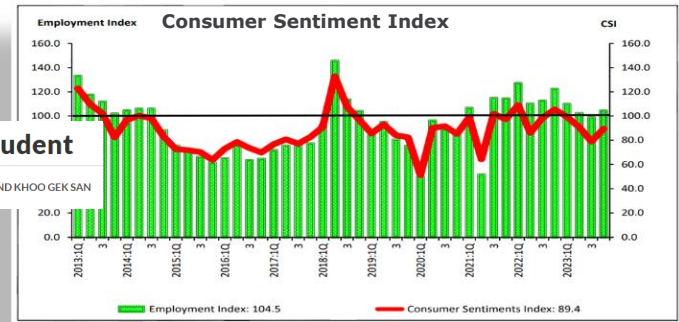


Source: MIER

SST hike means being prudent

By DIYANA PFORDTEN, RAGANANTHINI VETHASALAM and AND KHOO GEK SAN

Source: The Star, 1 March 2024



Source: MIER

Commercially, we will focus on winning in the market with strategies across portfolio & life stages



Drive penetration and brand connection through **core occasions & assortment**, to win in ambient and chilled liquid segments



Drive IFT relevance through **category education** and continue to fight the nation's triple burden via integrated plans and support the optimal growth of Malaysian children through MaxGro

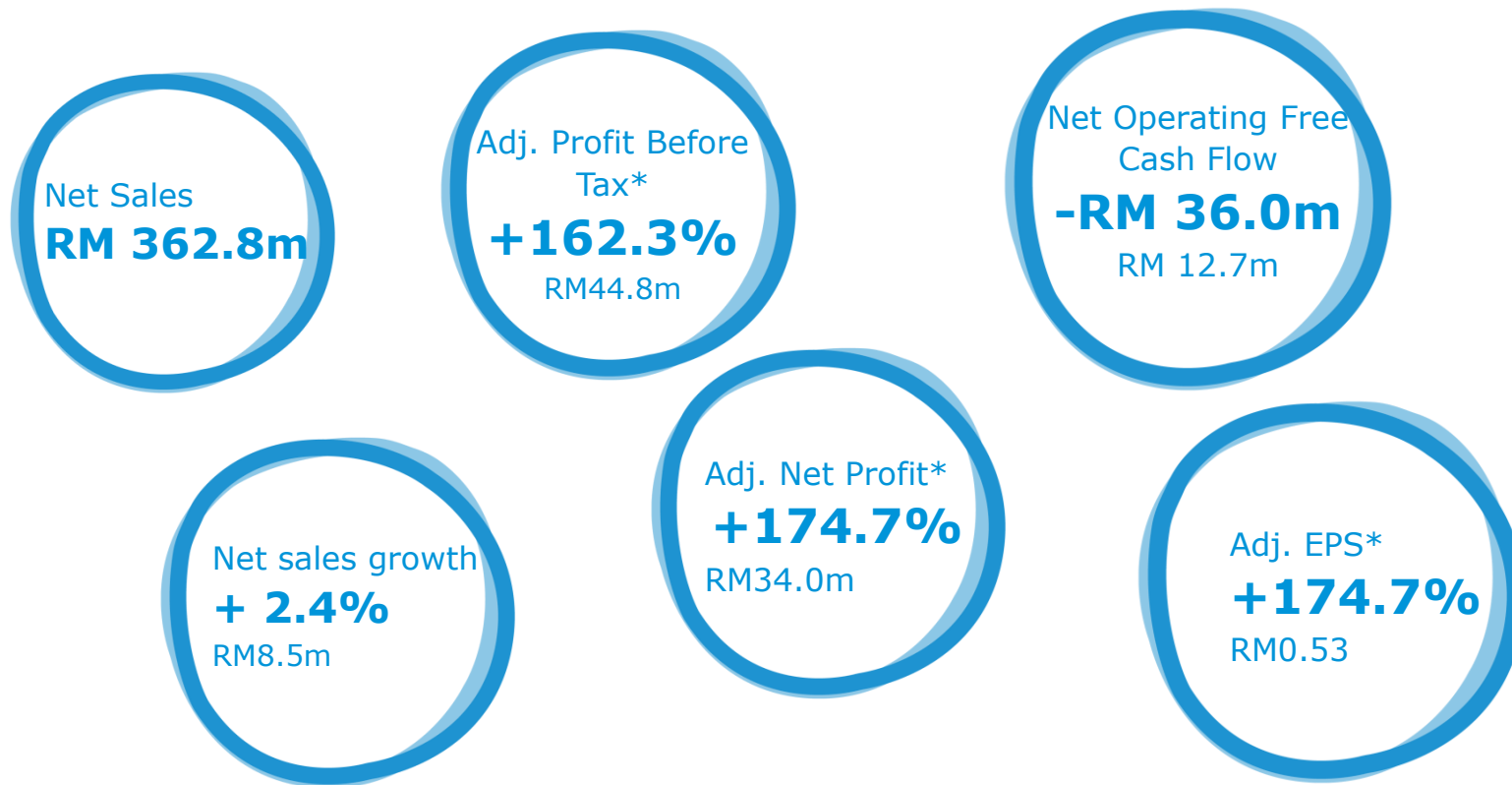


Drive **penetration** within IFT premium segment, with focus on **nutrition & easy digestion**



Key Q1 2024 financials versus Q1 2023:

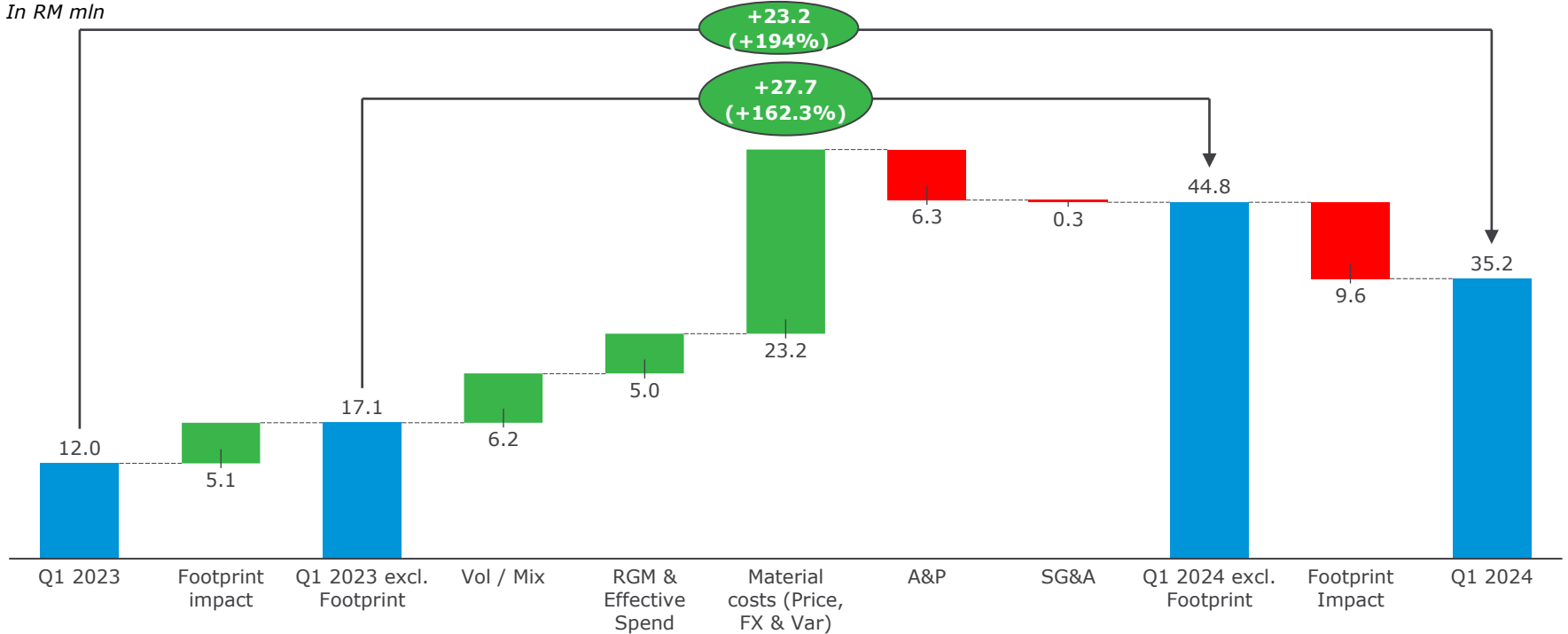
Excellent top-line and profit growth driven by lower Dairy Raw Material costs, Revenue Growth and Product mix
Operating Cashflow positive (RM12.7m) but RM36m lower vs Q1 2023 due to pre-payment in Q4 2022 and transition OPEX



Profit before Tax: Q1 2024 vs Q1 2023

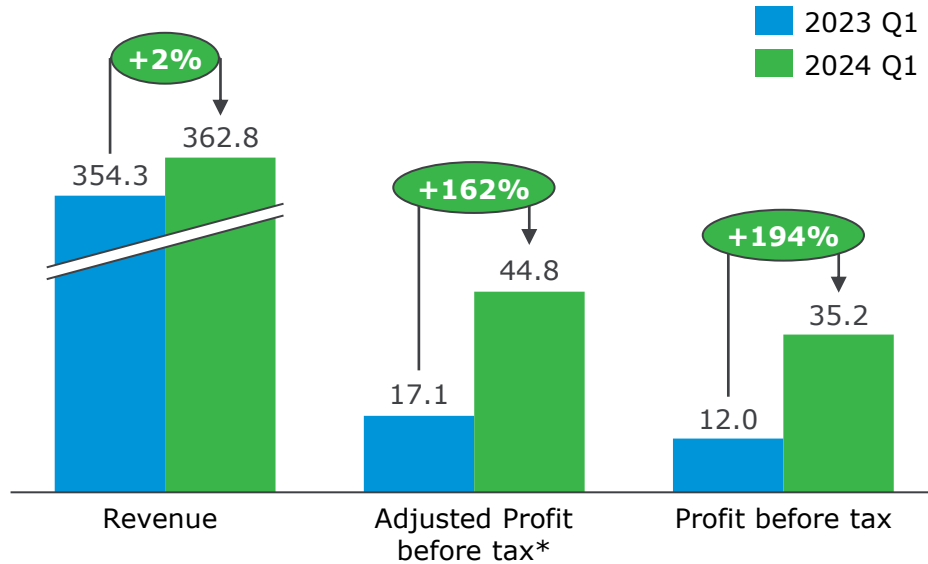
Strong Revenue performance and DRM upside partially offset with investments in A&P and new manufacturing facility

In RM mln



Strong business performance in Q1 2024: Revenue up 2% on the back of RGM initiatives, while lower raw material prices further boosted profit.

In RM mln



Interim Dividend pay-out

Dividends RM mln	2024 Announce on 27 May 2024
Standard RM0.25 per share	16.0

* Excluding footprint impacts

OUTLOOK

2024

INFLATION

Slower Growth in Consumer Spending + higher costs of business



Balance affordability, access & profits

FOREX

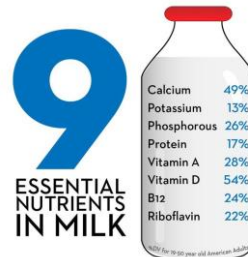
Currency fluctuations + rising production costs



Increase predictability + deploy prudent financial management strategies

NUTRITION

Continued demand for good nutrition & value for money



Strengthen value proposition + emphasize nutritional diet

SUPPLY CHAIN

geopolitical conflicts + supply chain disruptions + demand uncertainties = complex supply planning



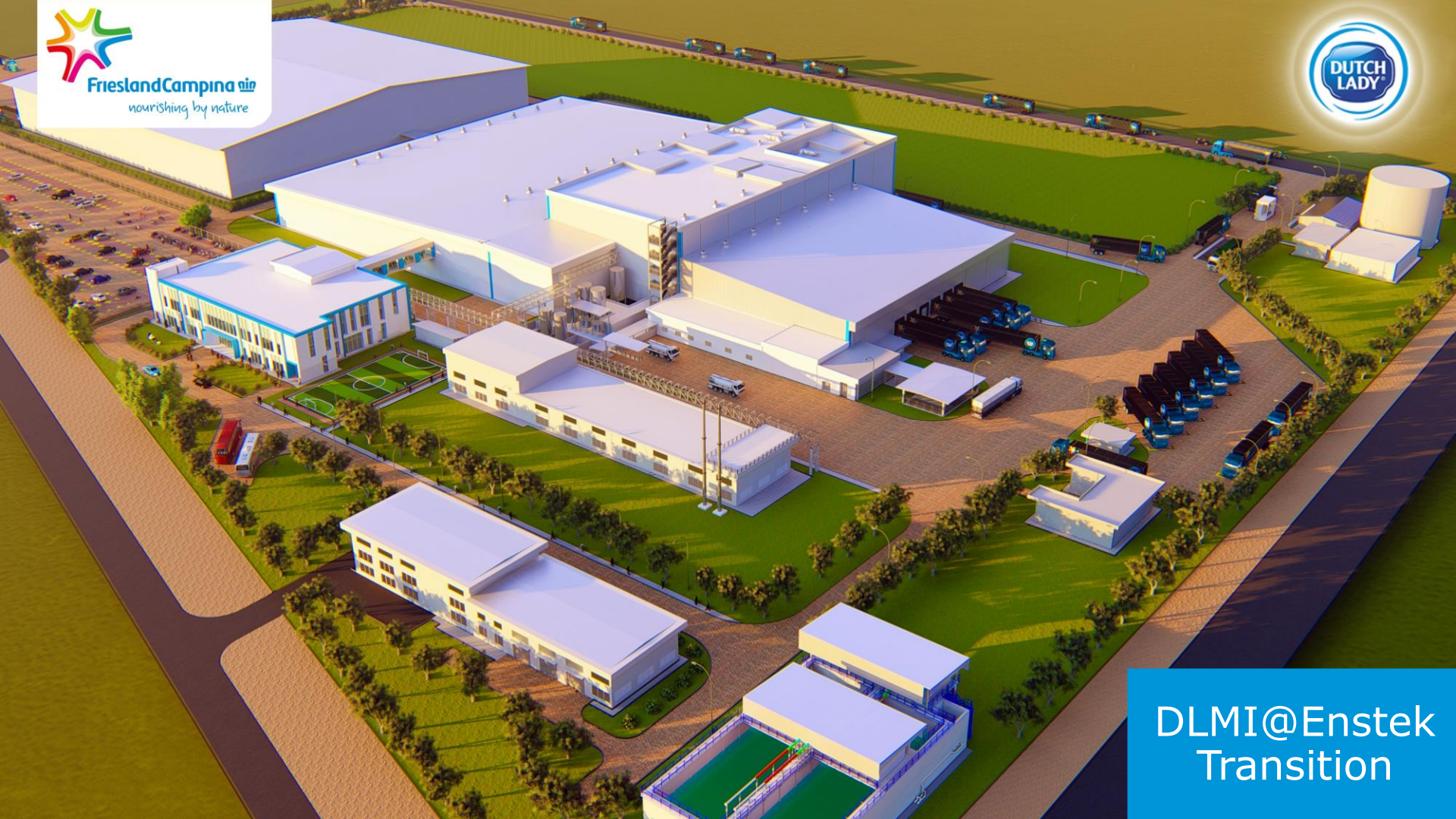
SUSTAINABILITY

Evolving ESG landscape + regulations = accelerated sustainability performance & leadership



Potential





DLMI@Enstek
Transition

Finishing a 5-year transformation journey



Preparation & design



Land acquisition at bandar Enstek



Construction start



Construction ongoing





DLMI@Enstek

A Strategic Investment in an IR4.0 enabled, green-field, halal manufacturing facility



100% of construction completed



>75% of processing & commissioning completed

Sustainability



Significant reduction in use of energy, water & CO₂

Targeting to achieve a 30% reduction in energy and water intensity by 2030 vs 2022 baseline

Efficiency



Significant improvement in critical manufacturing KPI's

Targeting to reduce wastage in production processes to zero and zero waste to landfill

Growth



Significant potential to capture new opportunities through innovation and increase in capacity



DLMI@Enstek



Dutch Lady Milk Industries Berhad



DUTCH LADY®

PURPOSE

Nourishing our Planet & People in Every Stage of Life




GUNA SEBELUM

DUTCH LADY®

PEOPLE

People Growth = Business Growth




DUTCH LADY®

PERFORMANCE

Winning Profitably



Year	Dutch Lady	Tam Fresh	Goodday	Margari	ISO
2017	37.6	17.1	10.2	10.2	10.2
2022	42.0	17.1	10.2	10.2	10.2



Frisko®

POTENTIAL

Our Future Legacy





Dutch Lady Milk Industries Berhad

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QUESTIONS FROM MSWG



Operational & Financial Matters - Question 1

Question:

"The consumer engagement platform includes Annual Focus Groups, Surveys, as well as customer service desks (Careline and social media)". (Page 9 of Integrated Annual Report 2023 "IAR2023")

- In the era of data-driven marketing, how does the Group utilise data analytics to enhance customer engagement and foster loyalty?

Answer:

Data analytics are used continuously through the year across our platforms in media, social, e-Commerce, with CRM tools and journey in building our awareness, and engagement with consumers through their consumer journey and path to purchase.

Operational & Financial Matters –

Question 2

Question:

"65% of our eligible products have received the Healthy Choice Logo (HCL logo), indicating that they are healthier choices that support a well-balanced diet." (Page 9 of IAR2023)

- (a) What percentage of the Group's revenue in FY 2023 was contributed by the 65% of the Group's eligible products with HCL logo?
- (b) How has the inclusion of the HCL logo impacted sales of the Group's products?

Answer:

- (a) The HCL products cover >85% of Revenue in the HCL relevant segment (liquid milk and family milk powder) products sold in retail. We also wish to highlight that the HCL logo cannot be applied in IFT related products.
- (b) Having our products with the HCL logo is an integral part of our purpose to ensure healthy and nutritional products are made accessible to Malaysians.

Operational & Financial Matters – Question 3

Question:

"Drinking/liquid milk (including plant based) continues to have the largest growth potential, whilst consumers continue to seek healthier and sustainable options. DLMI will continue to explore opportunities within growing dairy segments, aligning its product offerings with the growing consumer demand for healthier and environmentally conscious choices." (Page 48 of IAR2023)

- In view of consumer preferences for healthier and more sustainable options, what is the Company's strategy to tap into the plant-based alternatives lactose-free markets?

Answer:

At this point in time the Company does not have concrete plans to access the plant-based alternatives markets. DLMI, in line with its majority shareholder FrieslandCampina, aims to be a top performer focused on Dairy. DLMI believes Dairy has the right nutritional profile to fulfill our purpose of nourishing our people and planet in every stage of life. At the same time if we see opportunities in plant-based alternatives that would fit our purpose, we will assess if they will fit our portfolio of product offerings.

Operational & Financial Matters – Question 4

Question:

"As a prominent player in the Malaysian dairy industry, we closely monitor and adapt to the evolving regulatory landscape, aligning our operations with the updated standards and requirements. This may involve implementing new quality control measures, enhancing traceability in the supply chain, and ensuring compliance with the latest safety protocols."
(Page 47 of IAR2023)

- What investments are being made in technology to improve product traceability?

Answer:

In the new facility in Bandar Enstek we invest in IR4.0 technology. This technology will help us to have even better control over our production processes and more data on our processing variables. This in turn will enable to further streamline production to gain efficiency, produce more sustainably and control quality and safety. On our Friso range, which is imported from the Netherlands, we offer consumers the possibility to scan a QR code on the back of the tins and track back the source of the product to the dairy farm from which the milk was sourced.

Sustainability Matters – Question 1

Question:

The Sustainability 2030 Roadmap outlines ambitious targets, such as a 30% reduction in carbon intensity and water intensity by 2030 against 2022 baseline, with the Group's transition to its new manufacturing facility DLMI@Enstek in 2023.

- (a) What specific technology adoption at the new manufacturing facility in Enstek is expected to contribute to DLMI's sustainability goals?
- (b) Please provide an overview of the Group's current energy portfolio, specifying the proportion of renewable energy sources compared to grid electricity? Has the Group established any specific targets and timelines for future energy mix objectives?

Answer:

- (a) A reduction of 30% in our energy and water intensity is not achieved by only implementing one technique. Behind this reduction there are many initiatives, for example solar, rainwater collection to re-use water and especially the focus on reduction of our losses in efficiency and product.
- (b) Currently we are buying green energy from TNB, but this is a relatively small portion of our energy consumption. In 2025 we will open our new Distribution Center and we are working on a solar roof. Calculations are currently being made on how many panels we can place. On top of this, we are exploring several additional options to maximize the use of renewable energy in coming years.

Sustainability Matters – Question 2

Question:

“The Group sourced 42.3 million litres of milk from local farm.” (Page 24 of IAR2023).

- What percentage of the Group’s annual milk input does the 42.3 million litres of milk sourced from local farms represent?

Answer:

Out of the total volume of Dutch Lady Fresh Milk sold in the market, 55% is made from locally sourced Fresh Milk. DLMI aims to source 100% of the volume for Fresh Milk finished goods locally by the year 2030.



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PRE-AGM QUESTIONS FROM PORTAL



Question 1 (i)– Financial Performance

Can you provide insights into Dutch Lady's revenue growth, net profit, and market share for the past year? How has consumer behavior influenced these metrics?

Answer:

Revenues in 2023 soared to over RM1.4 billion, showcasing an increase of 7.7% compared to the previous year. Volume grew by 3.0% as a result of sustained strong demand for our brands, coupled with market share gains across our diverse market segments. This growth serves as a testament to the robust brand equity of both Dutch Lady and Friso brands among Malaysian households, reflecting the enduring impact of our 60-year heritage in Malaysia.

The volume growth extended across DLMI's Dutch Lady portfolio, encompassing liquid milk and Formula & Toddler Nutrition, and across both the retail and professional channels. Additionally, growth was observed in the distributed Friso and Debic ranges, with positive impact.

Gross Profit Margins exhibited a positive trajectory, climbing from 26.5% in 2022 to 29.7% in 2023. The Gross Profit reached RM428.4 million, reflecting a substantial 20.5% increase from RM355.5 million in 2022. The dairy raw material market experienced a softening trend in the course of 2023, a welcome deviation from the record-high prices witnessed in 2022.

Despite the favourable trend in raw material prices, the weakening Malaysian Ringgit (MYR) against the US Dollar (USD) partially dampened the positive impact. Furthermore, other input costs contributed to the overall cost dynamics. Energy costs increased as Malaysia reduced subsidies on energy, reflecting a broader trend of rising energy expenses. Concurrently, labour costs experienced an upward trajectory in 2023, impacting other production costs and general administrative expenses.

To optimise costs and improve operational efficiencies, we implemented some strategic initiatives in 2023. One key focus area was achieving a balanced investment in advertising and promotion expenditures, ensuring that resources were allocated carefully to maximise their impact on brand equity and market presence.

In tandem with the positive trajectory of gross margins and operating margins, net profit increased by 56.5% from RM46.3 million in 2022 to RM72.4 million, with net profit margins rising from 3.5% to 5.0%.

Question 1 (ii) – Financial Performance

Will the Company see an improvement in margins in 2024? Are input costs expected to moderate in the next 12 months?

Answer:

DLMI will stay focused on its purpose of 'Nourishing Our Planet and People in Every Stage of Life'. In order to deliver on this purpose, healthy gross margins are essential for us to continue to invest behind our people and brands, our most important assets. These assets will drive long term engagement with DLMI as an employer of choice and continue to increase penetration of milk in Malaysia.

For 2024, the market is expected to remain volatile and is subject to various domestic and global uncertainties and challenges, foreign exchange rate fluctuations, and regulatory changes impacting the cost of doing business in Malaysia.

Although global dairy prices have shown a decline in 2023, they remain at high levels and are expected to trend up in the remainder of 2024. We also expect increased in other input costs for example rising costs of energy and the implementation of higher SST tariffs, whilst inflation is expected to remain a significant factor in the costs of doing business in 2024.

We also need to acknowledge that DLMI is in transition from its current manufacturing plant DLMI@PJ to its new IR4.0 state-of-the-art development DLMI@Enstek. The realization of this transition is an important pillar under the future growth strategy of DLMI. Such a transition comes with significant investments, which we have planned for carefully.

Over the long term, the outlook for DLMI remains cautiously optimistic due to the strength of our brands, and the increasing need and recognition of the goodness and nutritional value of milk amongst Malaysians. The Company will continue to support the local dairy farmers and increase the quantity and quality of local fresh milk.

Question 2 – Status of Enstek factory construction

- How much of the new plant been completed as at 31 Dec 2023?
- When does development for second phase start?
- How much is budgeted capex? Is it still inplace?
- What is status of migration from PJ to Enstek?

Answer:

Inauguration of the new factory will take place at the end of May 2024. The new factory DLMI@Enstek is expected to be fully operational in the course of 2024.

The second phase development for DLMI@Enstek will be the construction of a dedicated Distribution Center. First ground works have started and it is expected to be finished by H1 2025.

As at end 2023 investment in Capital work in progress is RM425.5m (PPE and Intangible Assets). The CAPEX budget for the original scope of DLMI@Enstek project of RM540m is still in place.

Manufacturing operations in PJ will cease within Q3 2024, and we will complete the decommissioning within 2024.

Question 3- New plant capacity

How long will it take to fill up the capacity at the new plant?

What is the management's plan on the extra production capacity?

Answer:

The factory is built to serve Malaysians with good nutrition now and for generations to come. The capacity of the factory depends on several factors including shifts, operational efficiency optimization and differs per line. Ramp up in production is expected with growing demand in the coming years, capacity can be further expanded in the future.

Filling our capacity will continue in coming years and will be depending on our growth and on our new innovations.

Question 4- Product innovations

What is the focus of the research center in the new factory?

Will the Company venture into new food segments?

Answer:

Our new R&D lab and office enables us to work closer on our new innovations that help in our mission to nourish people in every stage of life.

DLMI will remain focused on sales of its core portfolio of Liquid Milk and IFT products under the Dutch Lady Brand, as well as IFT products under the Friso Brand and a range of professional products under Dutch Lady and Debic brands.

In addition the company assesses on a regular basis opportunities in adjacent segments. The company has no plans at this point in time to enter frozen products or farming. Yet, supply from the local market is an important cornerstone in DLMI's sourcing strategy, and we remained the largest purchaser of local fresh milk. The Company will continue to support, cooperate and partner with the local dairy farmers and increase the quantity and quality of local fresh milk.

Question 5 – Dividends

- On page 41 para 6, DL mentioned that no long-term debt is taken to manage its cashflows. Any reason why the board decided to undertake the investment in Enstek via internal funds and not via a long-term debt. This deprived shareholders of higher dividends for the last 4 Financial Years. A better approach would have been to take a long-term loan and smoothen the dividend fluctuation for DL shareholders. If our major shareholder ie FC has a policy or directive (policy decision) not to take up long-term debt, we would not need to discuss this, but would appreciate that DL puts this on record at the AGM.
- Once the new factory utilize, and investment to the factory gradually reduced will management consider to increase the dividend payout ratio?

Answer:

DLMI has a history of stable dividend payout and special payout (from 2010 to 2018). When deciding on the payment of dividend, the Board carefully looks at the Company's business requirements.

For 2023, the Company paid to its shareholders a total of RM32.0 million in standard interim dividends comprising two standard dividends of RM0.25 each. For FY2024, the Company has announced payment of an interim single-tier dividends of RM0.25 per share payable on 20 June 2024.

During the construction of the new manufacturing facilities, we strive to balance the internal cash, financing costs and to maintain a stable dividend versus 2023. As a result, DLMI wishes to retain its accumulated profits to utilize towards the construction of the new manufacturing facilities on the land in Bandar Enstek. This will minimize the need for borrowings, limit costs and future loan repayments. The investment in the new manufacturing facilities is anticipated to enhance DLMI's prospects and earnings in the future.

There is no specific policy in place at the majority shareholder to not take up any long-term debt.

Question 6a – Importation of powdered milk

In relation to powder milk, we know DL has stopped production and is currently importing it from FC's Indonesian Plant since April 2023. What was the average profit margin before (annually for each of the 5 years) and after (9 months average) on the Powder Milk segment?

Answer:

DLMI does not disclose historical or forward-looking financial details beyond those provided in the quarterly Bursa Announcements and Annual Reports. However, there has been no material profit margin shift caused by the move of production to the factory in Indonesia. Over a five year cycle margins shift depending on many factors such as raw material and commodity prices and selling price.

Question 6b - Which business will be company core business for Malaysia market ?

Answer:

DLMI will remain focused on sales of its core portfolio of Liquid Milk and IFT products under the Dutch Lady Brand, as well as IFT products under the Friso Brand and a range of professional products under Dutch Lady and Debic brands.

Question 7 – Sourcing of local milk and Sustainable farming

- How many litres of milk was sourced from local Malaysian farms in 2023?
- How has Dutch Lady contributed to local communities and sustainable farming practices? For example, what impact has the Farmer2Farmer program had on advancing sustainable farming

Answer:

We are proud to be the largest purchaser of local fresh milk in Malaysia. We have purchased more than 48 million litres of local fresh milk produced from 2011-2023, via our Dairy Development Program working in collaboration with the Department of Veterinary Services (DVS). This includes the established of the Farmer2Farmer Programme (F2F) to help local farmers to improve the sustainability of milk supply by learning from Dutch dairy farmers. Since 2013, 653 farmers benefitted from Farmer2Farmer programme to advance sustainable farming practices.

DLMI also has a Memorandum of Collaboration (MOC) with the Department of Veterinary Services where we address and advocate for sectoral issues while fostering the growth of farms, farmers, and other ecosystem stakeholders. The scope of MOC includes:

- the exchanging and sharing of resources, facilities, data, knowledge, and skills to further mutual interest and agenda;
- increasing knowledge and skills of local dairy farmers through a flagship programme.

Question 8 – Competition

As competitors are expanding into UHT segment, how do you fend off the competition?

Answer:

As the largest producer of local dairy products in Malaysia, we are committed to continue our core purpose of nourish our nation. With the alarming nutritional status of Malaysian children, as an industry, we have our role to play to reverse this situation for the sake of the nation.

With this, we are DLMI focus on Penetration, ie how many Malaysian households are consuming milk. While more than 60% of Malaysians consume Dutch Lady products at least once a year, we still have 40% of Malaysians who don't. Our core purpose is to continue to drive the penetration of this wonderful product to the Rakyat of Malaysia. We do not see competition as a threat but instead to help grow the category.

What is interesting, is who does this better... here at DLMI, we find ways to energize, educate & excite consumers through driving usage of milk in multiple occasions, mainly in the Morning and Ramadan occasions. We also focus on innovations, like new flavours and formats, in order to cater to the many consumer segments in Malaysia.