



Nourishing Our Planet and People
in Every Stage of Life

Dutch Lady Milk Industries Berhad

60th Annual General Meeting
26 May 2023

Our Integrated Reporting Journey

WHAT:

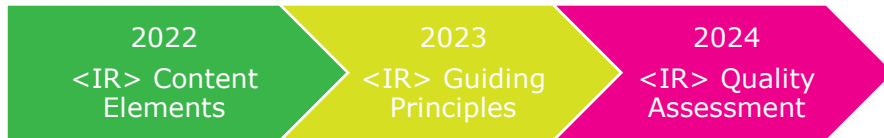
Integrated Reporting <IR> helps demonstrate how we are well-positioned to create value for both our shareholders and stakeholders in the short, mid, and long term.

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 Maiden Integrated Annual Report 2023



Nourishing Our Planet and People
in Every Stage of Life

Focus Areas 2022

Better Nutrition



Nourishing the Nation

- Nutrition and Product Responsibility
- Innovation and Technology

Better Sourcing



Striving to be 100% Responsible

Responsible Supply Chain

Better Governance



Going Beyond Compliance

Social and Economic Continuity

Better Climate



Shaping a Carbon Neutral Future

Energy, Water, Waste and Emissions

Better Society



Catalysing Farmers & Communities

- Farmers and Communities

Better Packaging



Aspiring to be 100% Circular

Recovery and circularity

Better People



Promoting Holistic Wellbeing

- Purpose and Culture
- Employee Experience
- Growth

Better Nutrition

96.4% of consumer dairy products compliant with Global Nutritional Standards (GNS)

100%* products with Healthier Choice Logo

100% Halal certified products

100% responsibly sourced/RSPO-certified palm oil

100% responsibly sourced cocoa

100% FSC/PEFC certified paper for all product packaging

82% or RM539.4 million in annual spends on local suppliers*

100% packaging recyclable-all materials

69.9%* packaging recyclable-plastics

77.8%* packaging recyclable-all materials

20.3%* packaging recyclable-plastics

29 employee engagement activities

97% line managers trained on psychological safety

81% fulfilled quality development plans (middle management)

11.2% attrition vs industry average 13%

4.35 million litres of raw fresh milk purchased from local farms

237 farmers benefitted from Farmer2Farmer programme to advance sustainable farming practices

64,959 packs distributed towards benefitting children and B40 community members

214 million packs distributed under the School Milk Programme since 2011

Company-wide refresher & 3 training sessions for new hires on MACC 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

Compass training for business partners - main greenfield contractors with focus on anti-corruption, safety and human rights

Financial Highlights 2022

Revenue RM1.3 billion

Adjusted operating profit RM114.2 million

Net profit RM46.3 million

* Total HCL eligible products (31)

Better Sourcing

100% responsibly sourced/RSPO-certified palm oil

100% responsibly sourced cocoa

100% FSC/PEFC certified paper for all product packaging

82% or RM539.4 million in annual spends on local suppliers*

* % of annual spend excluding FrieslandCampina network suppliers

Better Climate

-1.7% against target energy intensity reduction

-5.8% against target carbon footprint emissions reduction (GET)

-3.4% against target water intensity reduction

Zero waste to landfill

* Boundary Defined: Production Facility @ Petaling Jaya, Malaysia

Better Packaging

Consumer Dairy Products

92.5%* packaging recyclable-all materials

69.9%* 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

63% of board positions, 44% management team & 51% executive positions held by women

81% score on engagement index vs 77% in 2021 and 76% external benchmark

20.8 average training hours per employee vs 12.3 hours per employee in 2021

0.12 lost time accident rate

29 employee engagement activities

97% line managers trained on psychological safety

81% fulfilled quality development plans (middle management)

11.2% attrition vs industry average 13%

Better Society

4.35 million litres of raw fresh milk purchased from local farms

237 farmers benefitted from Farmer2Farmer programme to advance sustainable farming practices

64,959 packs distributed towards benefitting children and B40 community members

214 million packs distributed under the School Milk Programme since 2011

Better Governance

Company-wide refresher & 3 training sessions for new hires on MACC 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

Compass training for business partners - main greenfield contractors with focus on anti-corruption, safety and human rights

Financial Highlights 2022

Revenue RM1.3 billion

Adjusted operating profit RM114.2 million

Net profit RM46.3 million

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

Value Share (%)

Year	Dutch Lady	Tarm Fresh	Goodday	Margari	IBO
2015	37.6	10.8	17.1	10.0	10.0
2016	36.6	10.8	17.1	10.0	10.0
2017	36.6	10.8	17.1	10.0	10.0
2018	36.6	10.8	17.1	10.0	10.0
2019	36.6	10.8	17.1	10.0	10.0
2020	36.6	10.8	17.1	10.0	10.0
2021	36.6	10.8	17.1	10.0	10.0
2022	36.6	10.8	17.1	10.0	10.0
2023	36.6	10.8	17.1	10.0	10.0
2024	42.0	10.8	17.1	10.0	10.0



Frisko®

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



DUTCH LADY®

PURPOSE



Susu Penun Krim



GUNA SEBELUM

DUTCH LADY®

PEOPLE

People Growth
=
Business Growth




DUTCH LADY®

PERFORMANCE



Brand	2017	2018	2019	2020	2021	2022
Dutch Lady	37.6	36.6	36.6	36.6	36.6	42.0
Tam Fresh	10.8	13.1	13.1	13.1	13.1	19.2
Goodday	10.8	13.1	13.1	13.1	13.1	13.1
Margari	10.8	13.1	13.1	13.1	13.1	13.1
Wilo	10.8	13.1	13.1	13.1	13.1	13.1



Friso®

POTENTIAL



Enabling Our People To **Work Flexibly**

Better
People



2 days in the office
3 days from home/anywhere



OWOW Enabler and Monthly
Subsidy



Focus Friday

Creating an **Energised** work environment

Better People



Virtual Fitness Session



Virtual Wellness Talk



Self-Care Visual



Health Screening



Happiness Corner



Game Room



Keeping Our People Engaged

Better People





Recognition for our **HR Best Practices**



2023 Graduates' Choice Award - Winner of the FMCG category

- Voted by over 200,000 university students from private and public universities nationwide

*January 2023



Malaysian Dutch Business Council MISA 2023 - Winner of Best Flexible Work Arrangements Program

- Judged by a panel of expert, independent judges
- Finalists present and showcase their projects and best practices within their category

*February 2023

PERFORMANCE



Key 2022 Macroeconomic Highlights

Increasing cost of doing business



Higher commodities, inflation, higher shipping & energy costs impact prices of raw materials



Ringgit Malaysia is still far from strength & stability prior to COVID-19 pandemic

Disruption from external conditions driving hyper-inflation



Ukraine – Russia war causes disruptions & creates inflationary shocks



Rise in headline inflation mainly driven by increase in food & non-alcoholic beverages

Unstable Government since 2020 resolved via 15th General Election

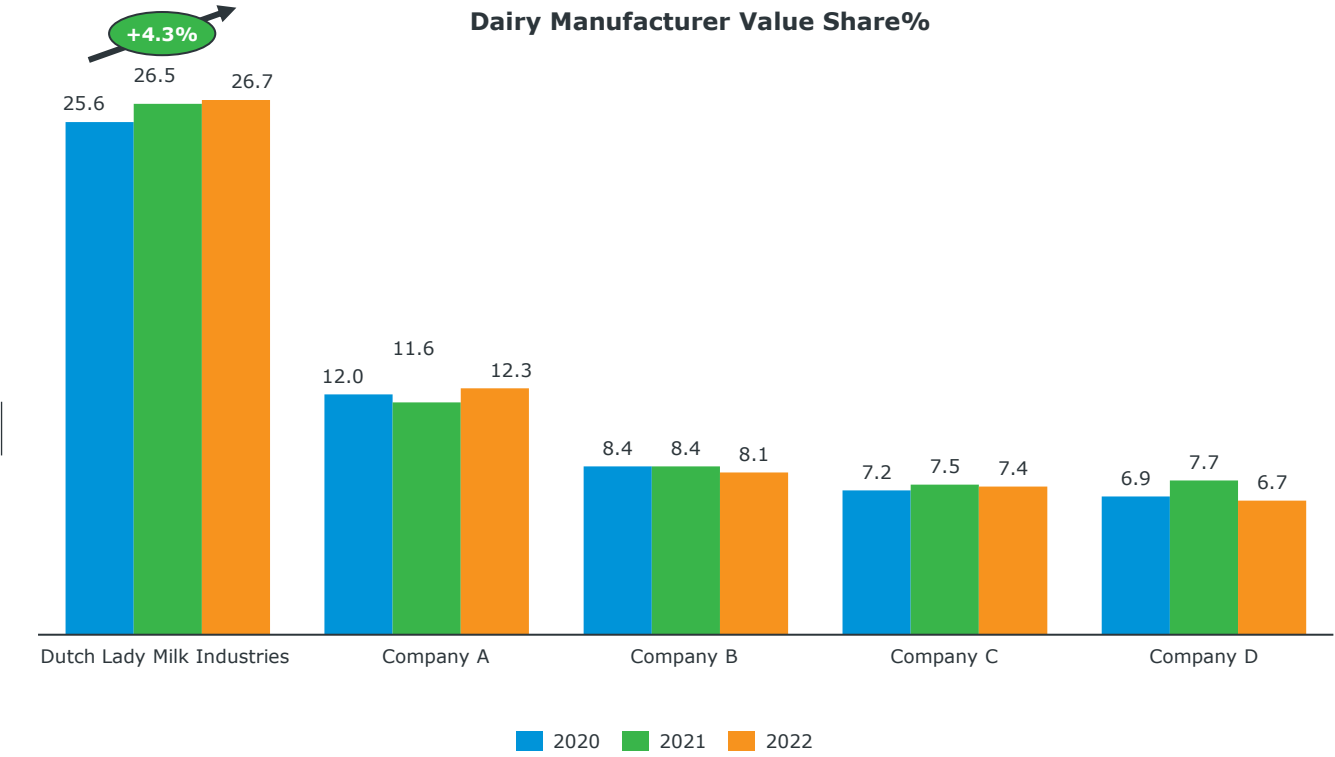


Power struggle between Malay political parties



Unity Government consisting of 5 political parties is stable with 148 Members of Parliament support

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



18 Source: Nielsen, 2020-2022, data based on strategic dairy categories valued at RM3.41bil annually, excludes SCM and HFD/FMP



Winning awards as Malaysia's Most Chosen Dairy Brand



Won KANTAR's Brand Footprint 2022:

- **Brand of the Decade**
- **No. 1 Most Chosen Brand**

in the Dairy Category

Key FY 2022 financials versus 2021:

Strong Volume and Revenue Growth breaking RM 1.3 Billion mark, offset by unprecedented cost inflation

Net Sales
RM1.3 Bn
Record high

Adj. Operating Profit*
-21.2%
RM114.2m

Net Operating Free Cash Flow
+RM217.6m
RM202.8m

Net sales growth
+ 18.1%
RM205.6m

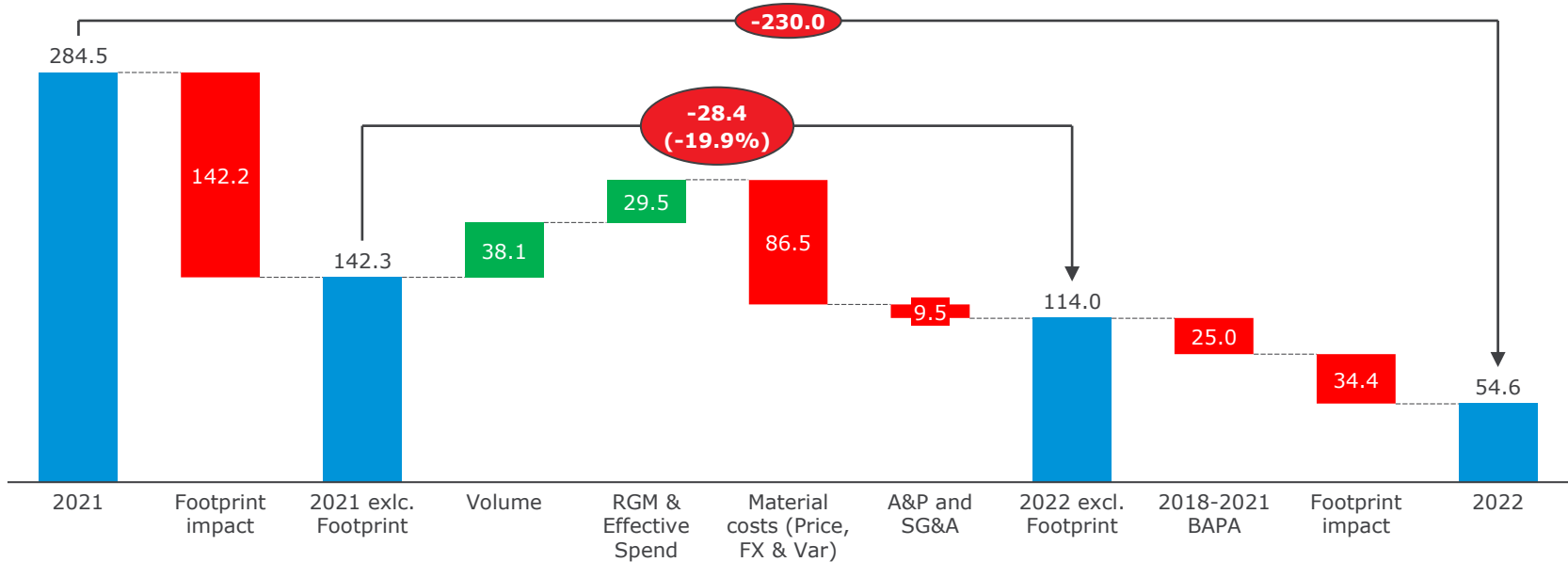
Adj. Net Profit*
-35.6%
RM90.1m

Adj. EPS*
-35.6%
RM1.41

Profit before Tax:

Strong Demand and Revenue Growth Management offset by the higher input cost and expenses.

In RM mln

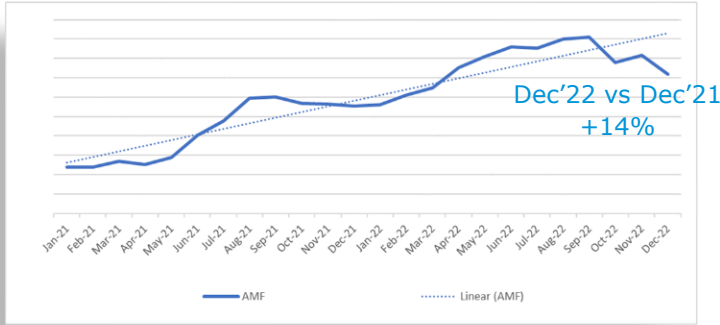


nourishing by nature

Input costs:

Increasing price of Dairy Raw Materials and FX headwinds

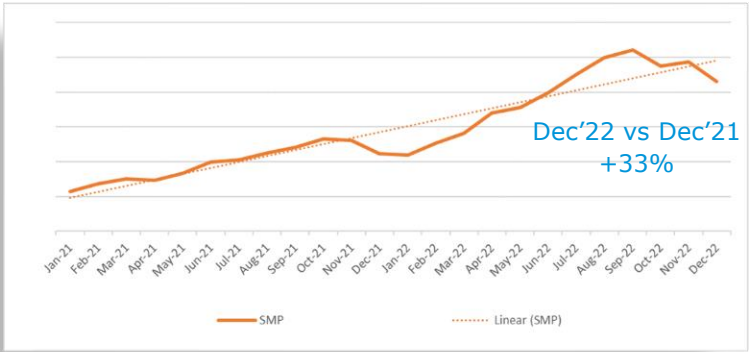
Skimmed Milk Powder



Source: DLM1 2022, material costs

Source: DLM1, 2021/2022 Raw Material Costs

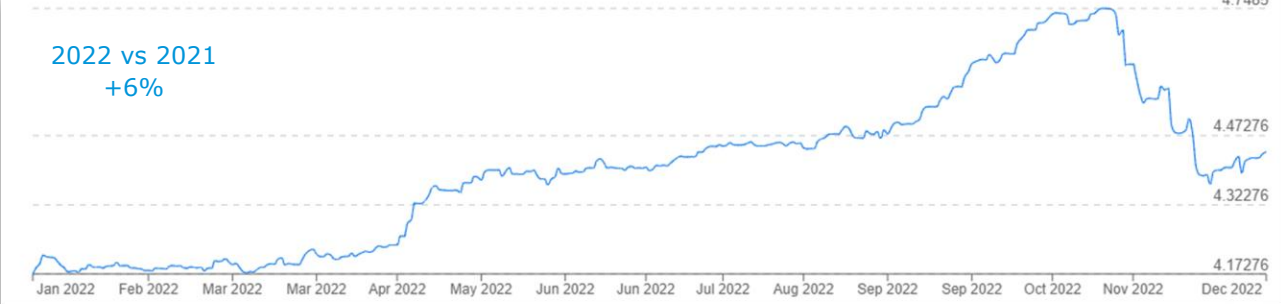
Anhydrous Milk Fat



Source: DLM1, 2021/2022 Raw Material Costs



USD/MYR Exchange Rate

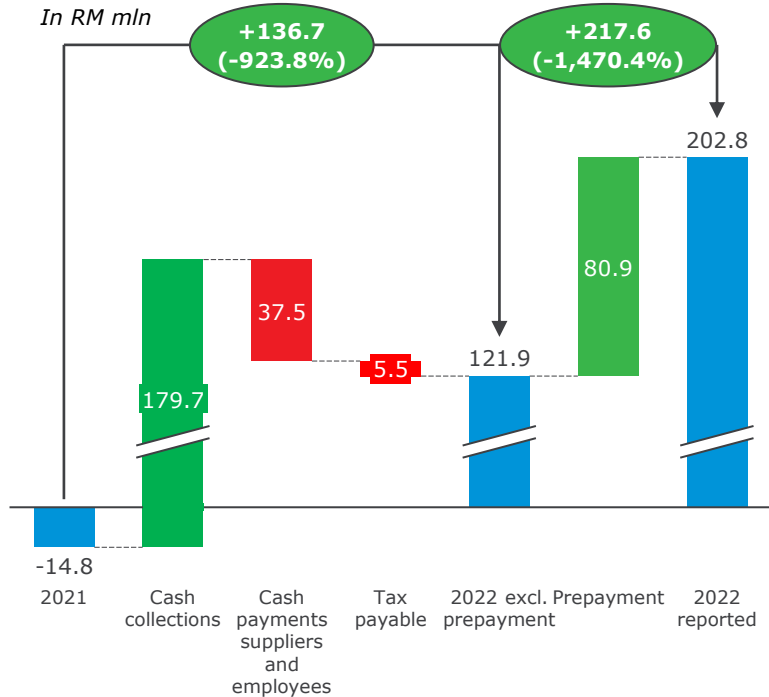


Source: xe.com

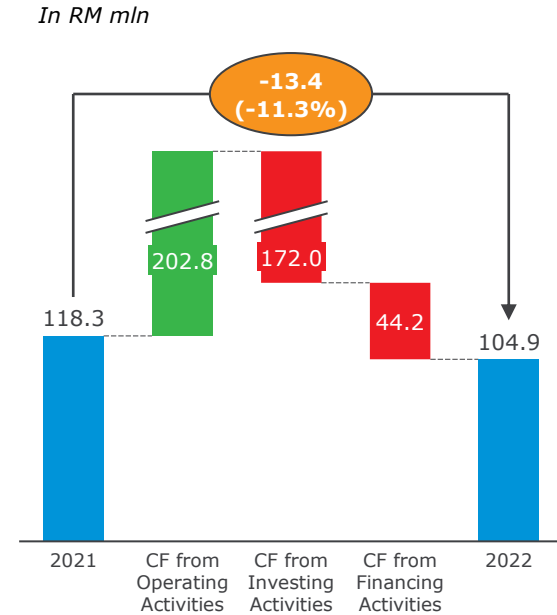
Cash Flow:

Strong cashflow from operating activities from business activities. Slightly Lower absolute cash balance on the back of investment activities.

Cashflow from operating activities



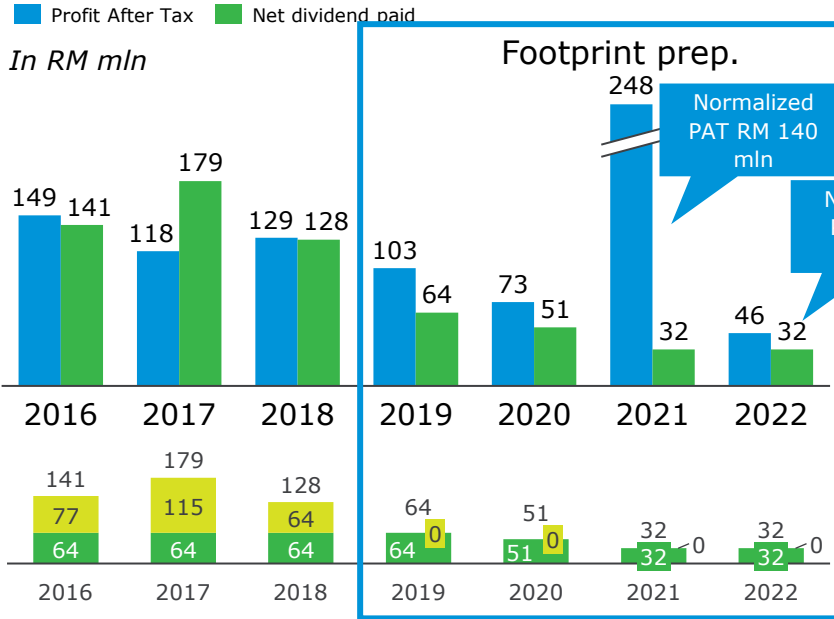
Cash balance



Dividend payment

Dividend of RM 0.25 per share in H1 and H2 2022. Dividend pay-out in line with 2021, to enable internal financing of future manufacturing facilities.

Net Dividend pay-out vs Profit After Tax



Net Dividend pay-out per quarter

Dividends in RM mln	Q2	Q4	2022 Paid
Standard RM0.25 per share	16.0	16.0	32.0
Special	0	0	0
Dividend Pay-out amount	16.0	16.0	32.0

Special dividend (Yellow bar)
Standard dividend (Green bar)

Net Dividend pay-out (RM32 million). Dividend payment in line with 2022. Sustain internal financing capability for the new manufacturing facilities.



Performance: We continue to focus on winning in the market in 2023



Reinforce the **trust and connection** we have with our consumers & drive penetration



Drive IFT relevance through **category education** and support the optimal growth of Malaysian children through MaxGro



Drive relevance & penetration within IFT premium segment.



Commercial campaigns & activities focus on multicultural festive periods

Chinese New Year



Ramadhan/Hari Raya Aidilfitri

Dutch Lady Malaysia
 12 November 2022
 Menghari inspirasi menu Ramadhan nanti? Layari bilik #ResipiRamadhan2022 untuk dapatkan pelbagai resipi menarik berasaskan Susu Dutch Lady yang mudah lagi lazat untuk sahur & iftar anda & keluarga.
 #DlBerkatRamadhanDanSusu #DutchLadyMY #DlStrongMeStrongerUS



We continue to excite & connect through new innovations & activities

Friso Gold

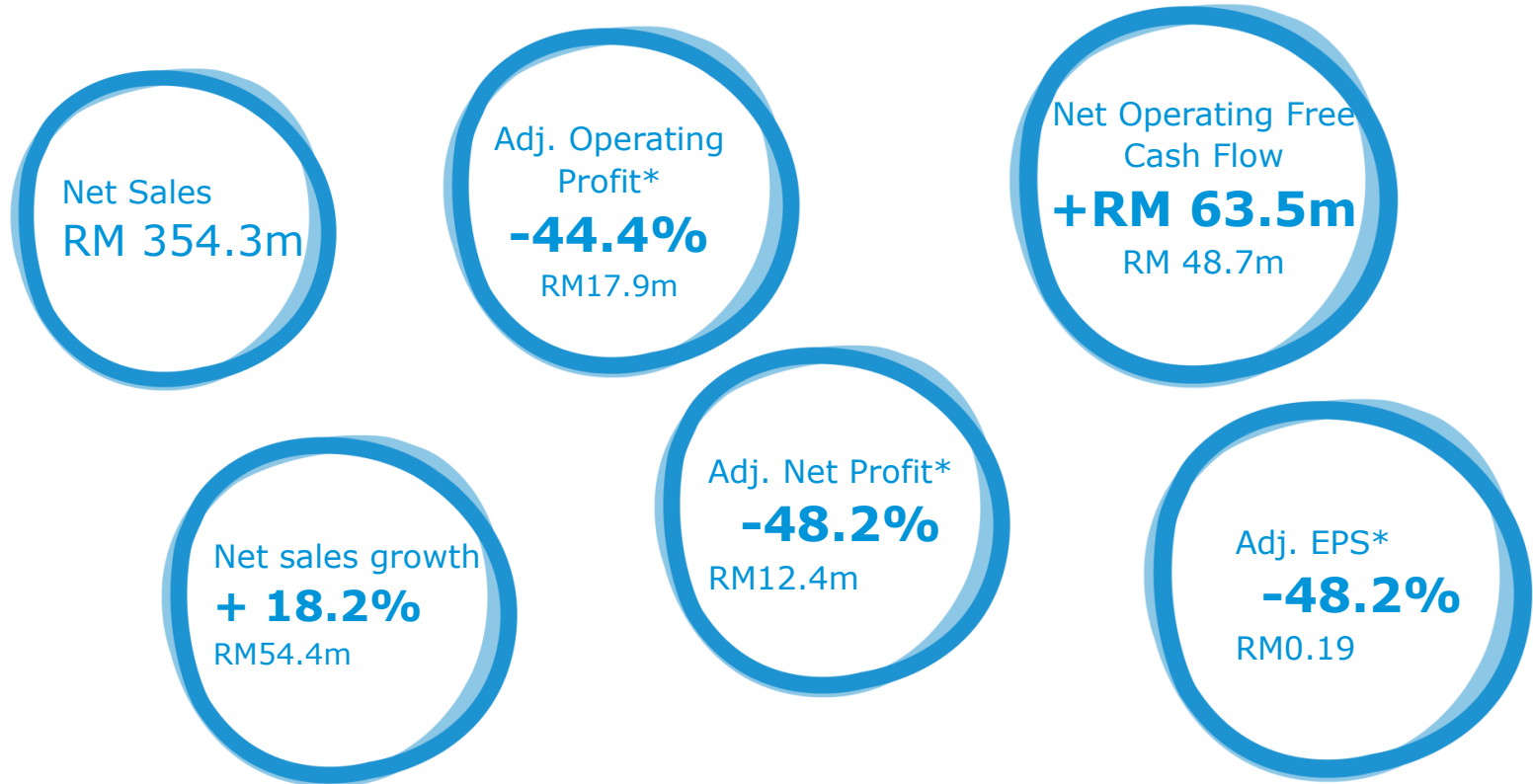


Dutch Lady Innovation



Key Q1 2023 financials versus Q1 2022:

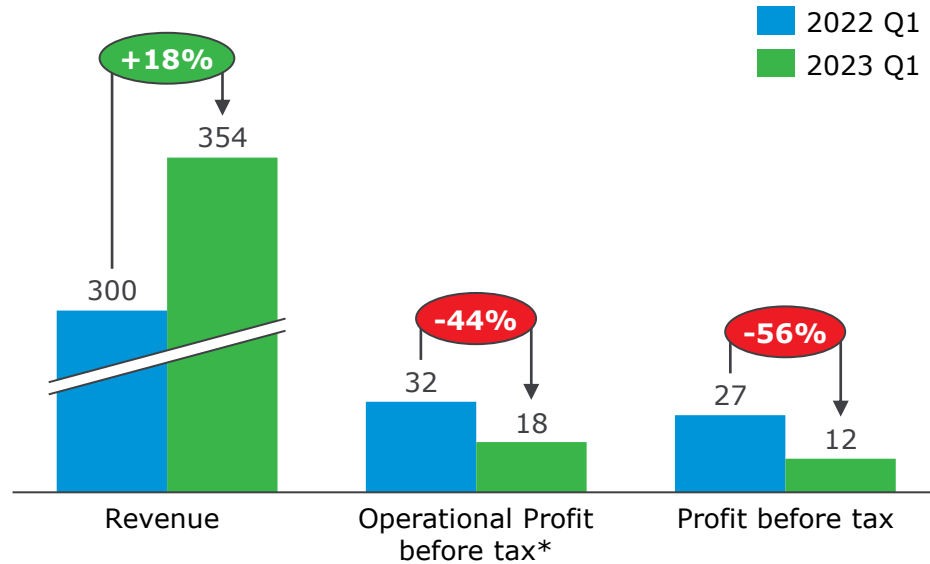
Excellent **top line growth**, yet profit under pressure of **continuous cost headwinds**



Strong business performance in Q1 2023 Revenue up 18% on the back of higher volume (+15%), yet raw material costs pressure on profit.

Cashflow from operating activities

In RM mln



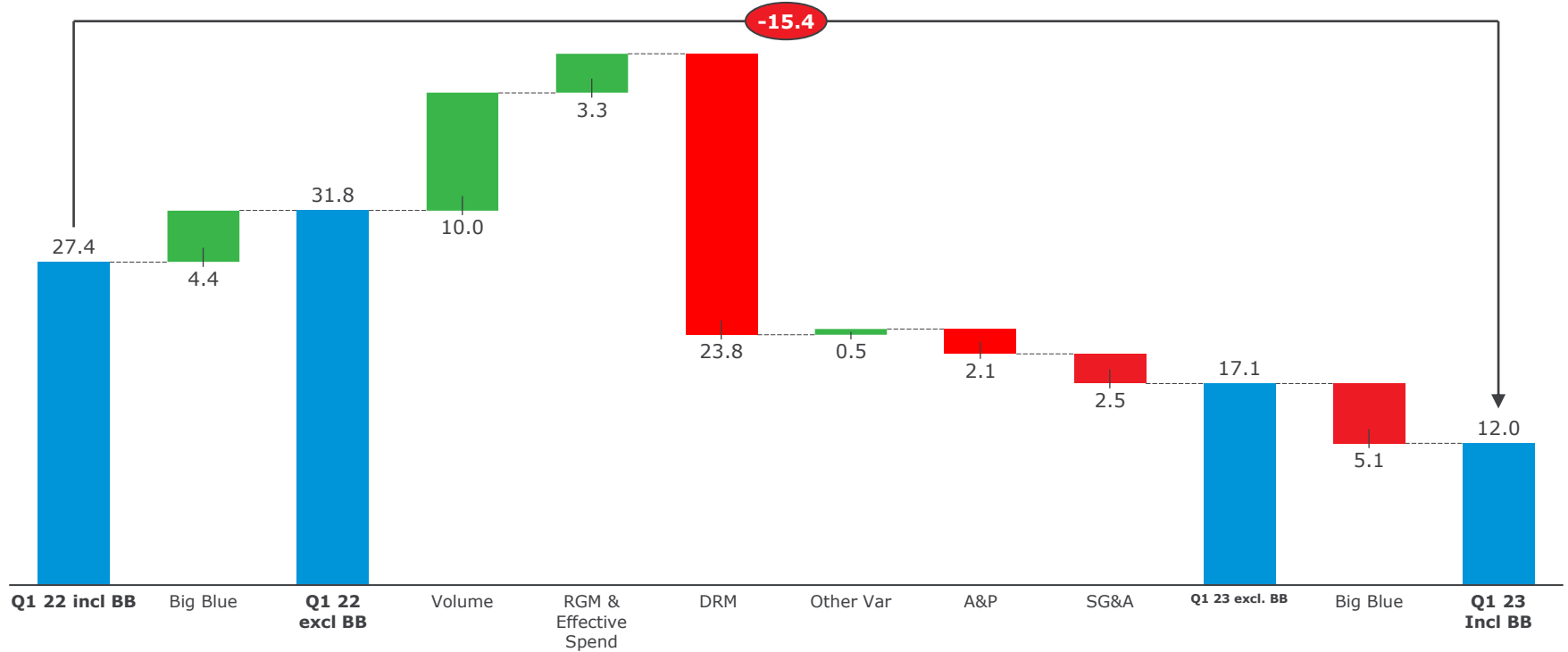
Net Dividend pay-out

Dividends RM mln	2023 Announce on 26 May 2023
Standard RM0.25 per share	16.0
Special	0
Dividend Pay-out Amount	16.0

* Excluding footprint impacts

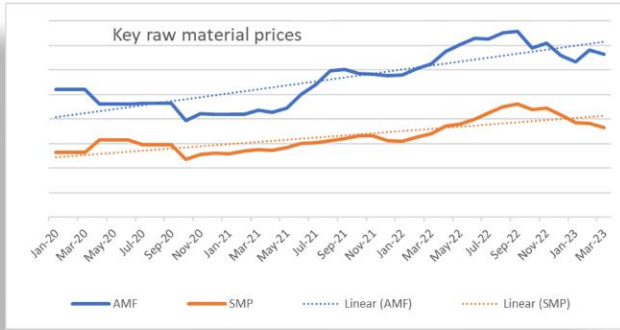
Profit before Tax: Q1 2023 vs Q1 2022

Strong Volume and Revenue performance but fully offset by increase in DRM

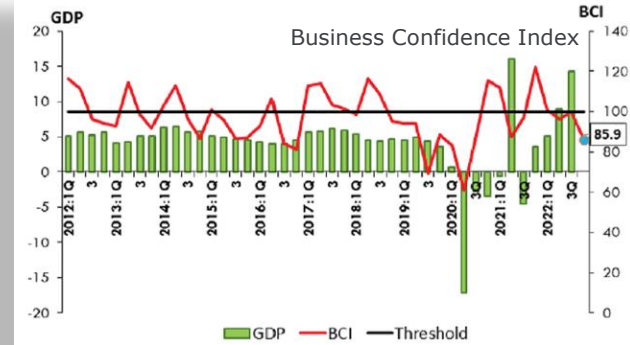


2023 Outlook:

Milk prices expected to soften, yet weak MYR and inflation remains a challenge. Consumer and business confidence bearish.



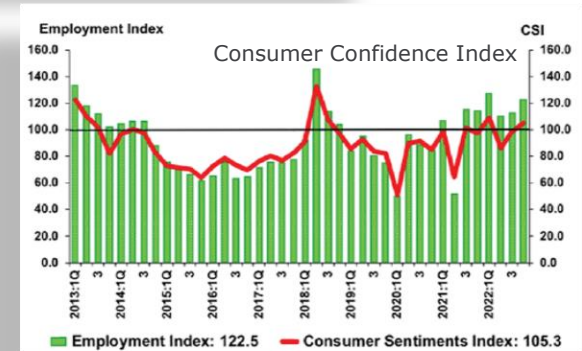
Source: Global Dairy Trade, Mar 2023



Source: MIER



Source: .XE.com, May 2023



Source: MIER

Potential



Increased investment in new Manufacturing Facility

Announcement November 2022

Further to the announcement of 17 December 2020 regarding the construction of DLMI's new manufacturing facilities in Bandar Baru Enstek ("New Facilities"), the Board of Directors of the Company wishes to announce that the estimated total capital investment for the construction of the New Facilities between the years 2021 to 2025 shall increase from RM340 million to RM540 million.



- Investment increased from RM340 million to RM540 million
- Additional growth CAPEX items
- Inflation from increased cost of materials, fuel and labour

Dutch Lady Milk Industries Berhad



DUTCH LADY®

PURPOSE

Nourishing our Planet & People in Every Stage of Life



Susu Penul Krim



GUNA SEBELUM

DUTCH LADY®

PEOPLE

People Growth = Business Growth



DUTCH LADY®

PERFORMANCE

Winning Profitably



Month	Dutch Lady	Tam Fresh	Goodday	Margal	IBO
1970-11	10.8	17.1	10.0	10.0	10.0
JAN21	37.6	17.1	10.0	10.0	10.0
MAR21	36.6	17.1	10.0	10.0	10.0
MAY21	36.6	17.1	10.0	10.0	10.0
JUL21	36.6	17.1	10.0	10.0	10.0
SEP21	36.6	17.1	10.0	10.0	10.0
NOV21	36.6	17.1	10.0	10.0	10.0
JAN22	36.6	17.1	10.0	10.0	10.0
MAR22	36.6	17.1	10.0	10.0	10.0
MAY22	36.6	17.1	10.0	10.0	10.0
JUL22	36.6	17.1	10.0	10.0	10.0
SEP22	36.6	17.1	10.0	10.0	10.0
NOV22	36.6	17.1	10.0	10.0	10.0
JAN23	42.0	17.1	10.0	10.0	10.0



Frisko®

POTENTIAL

Our Future Legacy





Nourishing Our Planet and People
in Every Stage of Life

Dutch Lady Milk Industries Berhad

60th Annual General Meeting

26 May 2023

QUESTIONS FROM MSWG

Operational & Financial Matters - Question 1 (a)

The group recorded 18% increase in revenue from RM1.1 billion in FY2021 to RM1.3 billion in FY2022. However, the overall costs for raw materials went up by 10% -15% impacted the gross profit margin which declined from 35% to 27% as costs could only partially be reflected in the price of its dairy products (page 41 of Integrated Annual Report (IAR) 2022).

(a) What was the percentage increase in selling prices for dairy products in FY2022, and how does this compare to the increase in the group's main input cost such as milk solid?

Answer:

- **Volume growth of 12%** was an important contributor to the **18% revenue upside**, as our consumers remained choiceful with strong in-home consumption of our three main product categories – Dutch Lady Liquid Milk, Dutch Lady Growing Up Milk and Friso Growing Up Milk. Pricing and Revenue Growth Management initiatives contributed 6% of Revenue growth.
- **Growing inflationary pressure** impacted the input costs of raw materials and other goods and services procured by DLMI such as costs of logistics. In particular, the **global price of dairy raw materials increased** to historically record levels, which was coupled with **volatile exchange rate movements** and a weakening MYR against the USD. As an example the price paid for Skimmed Milk Powder in Dec 2022 was 14% higher than in Dec 2021.
- With this cost increase we faced a **dual dilemma** of keeping our products **accessible and affordable** while dealing with increased input costs. Some of the inflationary pressure on the purchasing price of raw materials needed to be translated into the pricing of our products to avoid unsustainable profitability impact.

Operational & Financial Matters - Question 1 (b)

A cost optimisation exercise was implemented across the board to help mitigate a substantial portion of the impact of higher raw material costs (page 38 of IAR 2022). What were the major components costs saved or optimised during FY2022 that allowed only partial price increase to be transferred to consumers?

Answer:

DLMI has focused on **cost optimizations across the board**. Most notably we focused on **effective spend on trade discounts and advertising and promotion** through our Revenue Growth Management strategy, to ensure that the investments **drive growth** in consumer demand for our products and **equity for our brands**.

Operational & Financial Matters - Question 1 (c)

What is the management pricing strategy for FY2023, considering the prevailing market conditions, cost dynamics as well as keeping your products affordable to the B40 consumers who make up a large proportion of your customer base?

Answer:

For 2023 the **dual dilemma** that we faced last year of dealing with inflation, high input costs and volatile market circumstances, while ensuring the affordability and accessibility to our products is **expected to remain**. This means we will keep a **balanced approach towards pricing** management. We will keep focused on our mission of **Nourishing our Nation** with trusted, sustainable and Halal dairy nutrition for now and generations to come. We continue to **support the national health agenda**, whilst striving to improve the nutritional status of Malaysians.

Operational & Financial Matters -Question 1 (d)

What is the Company's outlook on profit margins? Based on your assessment of market conditions and current pricing strategy, do you expect profit margins to normalize, stabilize or potentially improve in FY2023?

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**. These assets will drive long term engagement with DLMI as an employer of choice and continue to increase penetration of milk in Malaysia. For **2023 the market is expected to remain volatile** and is subject to various domestic and global uncertainties and challenges, foreign exchange rate fluctuations and potential regulatory changes. Although **global dairy prices are expected to show a decline** they remain at historically high levels. At the same time, an uncertain **geopolitical environment** and **volatile exchange rates** will make it hard to predict input costs, whilst **inflation** is expected to remain a significant factor in the costs of doing business in 2023.
- We also need to acknowledge that DLMI is in a **transition from its current manufacturing plant in Petaling Jaya to its new IR4.0 state-of-the-art new development in Bandar Enstek**. The realization of this transition is an important pillar under the future growth strategy of DMLI. 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

Operational & Financial Matters - Question 2 (a)

The first Bilateral Advanced Pricing Arrangement (“BAPA”) between the competent authorities of Malaysia and The Netherlands with regards to certain related party transactions was finalised in 2022. This arrangement covers the years 2018 to 2022. Hence, in 2022, DLMI has booked the impact from 2018 to 2021 which amounts to RM24.9 million (page 41 of IAR 2023)

(a) Briefly explain the key terms of the BAPA agreement.

Answer:

- **The terms of the BAPA agreement are confidential.**
- A Bilateral Advanced Pricing Arrangement (BAPA) was agreed between Competent Authorities in Malaysia and Netherlands. **The intent of a BAPA is to provide tax certainty and avoid disputes.** It provides tax certainty to both the tax payers and the involved tax administrations in this can in both Malaysia and the Netherlands. This was the **first Bilateral Advanced Pricing Arrangement (“BAPA”) between the competent authorities of Malaysia and The Netherlands** and it ascertains the prospective arm’s length transfer prices on certain related party transactions for the period from 1 January 2019 to 31 December 2022, including a rollback period from 1 January 2018 to 31 December 2018. As a consequence, the Company incurred additional one-off costs related to 2018 to 2021 amounting to RM25 million in Q4 2022.

Operational & Financial Matters - Question 2 (b)

Will there be a second BAPA agreement to be entered into in 2023? If yes, what are the pricing formulas that could impact the Group's profit before tax negatively?

Answer:

- **It is in the company's interest to maintain certainty on tax and transfer pricing.**
- DLMI cannot give clarity at this time on the arrangement going forward.

Operational & Financial Matters - Question 3 (a)

The Company has launched festive flavour Lychee Juicy milk and Kurma & Banana flavoured milk range (page 49 of IAR 2022).

(a) What is the market response towards these products? What was their contribution to the group's revenue in FY2022 and what is its potential in FY2023?

Answer:

Strong market response for the festive products. Dutch Lady value share in the dairy juice category grew +4.4 vs. 2021, which Lychee Juicy Milk contributed the main growth with a 3.2% share. Kurma and Banana performed well during Ramadhan-Raya. The festive flavours help create excitement and relevance in driving the penetration of milk amongst Malaysians; bringing healthier and more nourishing alternatives.

Operational & Financial Matters - Question 3 (b)

Is the Company planning to launch any new products in 2023?

Answer:

- We will continue to bring excitement to Malaysians with the Ramadan limited edition Kurma and Banana Pasteurized 1L, along with the UHT options.
- To target the malnutrition issue amongst children in Malaysia and as part of our purpose to Nourish our Nation, we have launched an accessible nutrient-dense Ready-to-drink Dutch Lady MaxGro UHT.

Sustainability and Corporate Governance Matters - Question 4

Under the Sustainability Statement (page 69 of IAR 2022), DLMI had disclosed the achievement made in 2022 for energy intensity reduction, carbon footprint emissions reduction, water intensity reduction and landfill waste. There is no disclosure of baseline year and targets (to state in numbers) which can enable meaningful comparisons with outcomes/results. The Management may wish to consider having such disclosures.

Answer:

- Globally, **FrieslandCampina is targeting to be Climate Neutral dairy by 2050**. We are aligned in principle and strategy with FrieslandCampina and the numbers published in 2022 and 2023 Annual Reports are indicative of our performance against globally set targets.
- At country-level, we are constantly **assessing material ESG focus areas, localised commitments, and priorities for our 2030 roadmaps and 2050 ambitions**. At DLMI, we are aiming to publish our boundaries and expanded set of environmental and social targets in our 2023 Annual Report.

Sustainability and Corporate Governance Matters - Question 5

Practice 9.4 -Step-up of the Malaysian Code on Corporate Governance (MCCG 2021) states that the Audit Committee should comprise solely of Independent Directors. DLMI in its CG Report 2022 states that it has not adopted the Step-up practice.

The Company's current board composition comprises of 4 Independent Non-Executive Directors (INED) and 3 Non-Independent Non-Executive Directors and 1 Executive Director. The majority of the Board members – 50% (i.e. 4 out of 8) of the Directors are INED. DLMI is in a position to apply this Practice to constitute an audit committee which is entirely comprised of Independent Directors.

Are there plans to apply the Step-up? If so, by when?

Answer:

The Audit & Risk Committee (ARC) consists of a majority of independent directors i.e. it consists of 3 independent and 2 non-independent directors. However, one of the non-independent directors on the ARC is a nominee director of Permodalan Nasional Berhad and **thus 4 out of 5 of the ARC members represents the Company's minority shareholders**. In the circumstances, there are no plans to apply the Step-up as the Board feels that the current **composition fairly reflects the foreign direct investment and the investment of the minority shareholders**.



Nourishing Our Planet and People
in Every Stage of Life

Dutch Lady Milk Industries Berhad

60th Annual General Meeting
26 May 2023

PRE-AGM QUESTIONS FROM PORTAL

Question 1

Are there any competitors taking up the market portion from your company as well as share investment from investors?

If yes, may you share on the strategy been implemented to overcome this issue and the achievement along this 2 years.

Answer:

In 2022 Dutch Lady has extended its leadership in the Dairy market in Malaysia and realized significant volume and revenue growth. We are always looking at competitive developments and other players in the dairy market in Malaysia, as it is one of the many drivers behind product performance. We believe, the more the competition, the more we can collectively create greater awareness on issues such as malnutrition and obesity in Malaysia. In short, our performance on the mission to Nourish our Nation is catalysed by competition and accelerated by our continuous efforts to improve the nutritional content as well as formats of our products.

Question 2

Please share details of Enstek capex budget escalation from original ~RM300m to ~RM500m. What are the budgeting mistakes?

Answer:

The increase is mainly due to the inclusion of additional growth capex items as well as unprecedented inflation which has significantly increased the cost of materials, fuel and labour.

Question 3(a)

How would the management justify the increment for the board when your overall performance are way below your peers and industry?

Answer:

Taking into consideration the results of an exercise to benchmark the Non-Executive Directors' fees and benefits against the fees and benefits paid to directors of other Malaysian public listed companies of comparable size and industry, the Board approved the proposal for an increase in the Non-Executive Directors' fees by 3% to reduce the gap with such companies. It was also considered that the Board will undertake additional responsibilities due to new obligations in EES&G governance. The benefits remain at the same level as FY2022.

Question 3(b)

DLady is 60% below the peak now comparing to last 5 years performance. Dividend rate had also been reducing year on year. What are the reasons for the bad performance?

- Dutch Lady achieved consecutive Revenue growth over the past five years, with an encouraging 18% growth in revenue in 2022, as well as 12% growth in volume. Over the past two years input costs have witnessed unprecedented increases due to global trends such as the COVID-19 pandemic, the war in Ukraine, rising inflation and shortage on the transportation market. With our purpose of Nourishing our Nation, DLMI always strikes the balance between accessibility and affordability of our products and profitability. DLMI has a strong 60 years history in Malaysia and intends to remain part of Malaysian society in the long run. That is why we are investing in our Future Legacy.
- The distribution of dividends is based on the company's performance, as well as the need for business and operational continuity and, in light of building our future legacy, the needs to fund the company's future expansion.
- This means we need to acknowledge that DLMI is in a transition from its current manufacturing plant in Petaling Jaya to its new IR4.0 state-of-the-art new development in Bandar Enstek. The realization of this transition is an important pillar under the future growth strategy of DMLI. Such a transition comes with significant investments, and additional operational expenditure, which we have planned for carefully.
- 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. The investment in the new manufacturing facilities is anticipated to enhance DLMI's prospects and earnings in the future.

Question 3(c)

What is the plan to improve the performance of DLady?

- 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. These assets will drive long term engagement with DLMI as an employer of choice and continue to increase penetration of milk in Malaysia. For 2023 the market is expected to remain volatile and is subject to various domestic and global uncertainties and challenges, foreign exchange rate fluctuations and potential regulatory changes. Although global dairy prices are expected to show a decline they remain at historically high levels. At the same time, an uncertain geopolitical environment and volatile exchange rates will make it hard to predict input costs, whilst inflation is expected to remain a significant factor in the costs of doing business in 2023.
- Over the long term, the outlook for DLMI remains positive 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 4

What is the immediate target for raw milk purchase from local farmers and milk collection centres of DVS?

Answer:

DLMI will continue to support the growth of our local dairy farmers. As at today, we are one of the largest purchaser of local raw milk. Our supply comes from various local sources; from local commercial farms, milk collecting centers and dairy cooperatives nationwide. We strive to continue partnering the Department of Veterinary Services Malaysia to grow local milk supply and purchase from our local dairy farmers.

Other Questions & Answers will be included in the minutes to the meeting