

DUTCH LADY MILK INDUSTRIES BERHAD
INTEGRATED ANNUAL REPORT 2022



**Nourishing Our Planet and People
In Every Stage of Life**

Dutch Lady Milk Industries Berhad

Investor Relations connect
23 November 2023

Introducing Ramjeet & Kai



Ramjeet Kaur Virik Managing Director

Academic/ Professional Qualification(s):

- BSc (Hons) Economics, Banking & Finance, London School of Economics, United Kingdom

Working Experience:

Ramjeet has been with FrieslandCampina for over 11 years. Prior to her current appointment, Ramjeet was the Marketing Director for the Consumer Dairy Business of the Company since 2018. Before that, she was the International Marketing Manager at FrieslandCampina Asia based in Singapore, and Marketing Manager at PT Frisian Flag Indonesia. She has more than 20 years of experience in various commercial roles, namely in marketing, sales and shopper functions. Her career started in other leading fast-moving consumer goods organisations such as British American Tobacco (M) Sdn Bhd and Heineken Malaysia Berhad (previously known as Guinness Anchor Berhad).

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



Kai de Klerk Finance Director

Academic/ Professional Qualification(s):

- Bachelor's Degree in Business Studies, Tilburg University
- Master's Degree in Marketing Management, Tilburg University
- Master's Degree in Finance & Control, Maastricht University
- Certified Environmental, Social and Governance Analyst (CESGA), European Federation of Financial Analysts Societies (EFFAS)

Working Experience:

Prior to his current role as Finance Director at DLMI, Kai was Finance Director for FrieslandCampina Hong Kong since September 2020. Before that, he has held various positions in FrieslandCampina since 2015, starting in FC Netherlands as Manager, Controlling and Reporting followed by Head of Finance, Growth Markets for the Specialised Nutrition Business Group. Prior to joining FrieslandCampina, Kai worked in multiple finance, business and product roles in SABIC, a petrochemical manufacturer in Netherlands, USA and Saudi Arabia for over 7 years.

“My Core Purpose is to attain Sustainable Business and People growth being soft on the relation and hard on content, fostering collaboration, open communication and diversity”

Dutch Lady Milk Industries Berhad (DLMI): A Company With A Clear Purpose

“Nourishing Our Planet and People in Every Stage of Life”



1963

Year of establishment



>50

Years implementing
halal



RM1.3Bn

Net Sales Value

RM1.9Bn

Market Cap (Dec 2022)



214mn

Packs distributed under
school milk programme
since 2011



**largest
purchaser of
local fresh milk***



627

Farmers trained since
2013



**Gender diversity
(Male:Female)**

67:33 Total
45:55 Mgmt population
56:44 Mgmt Team
37:63 Board of Dir





**Packaging
recyclability**

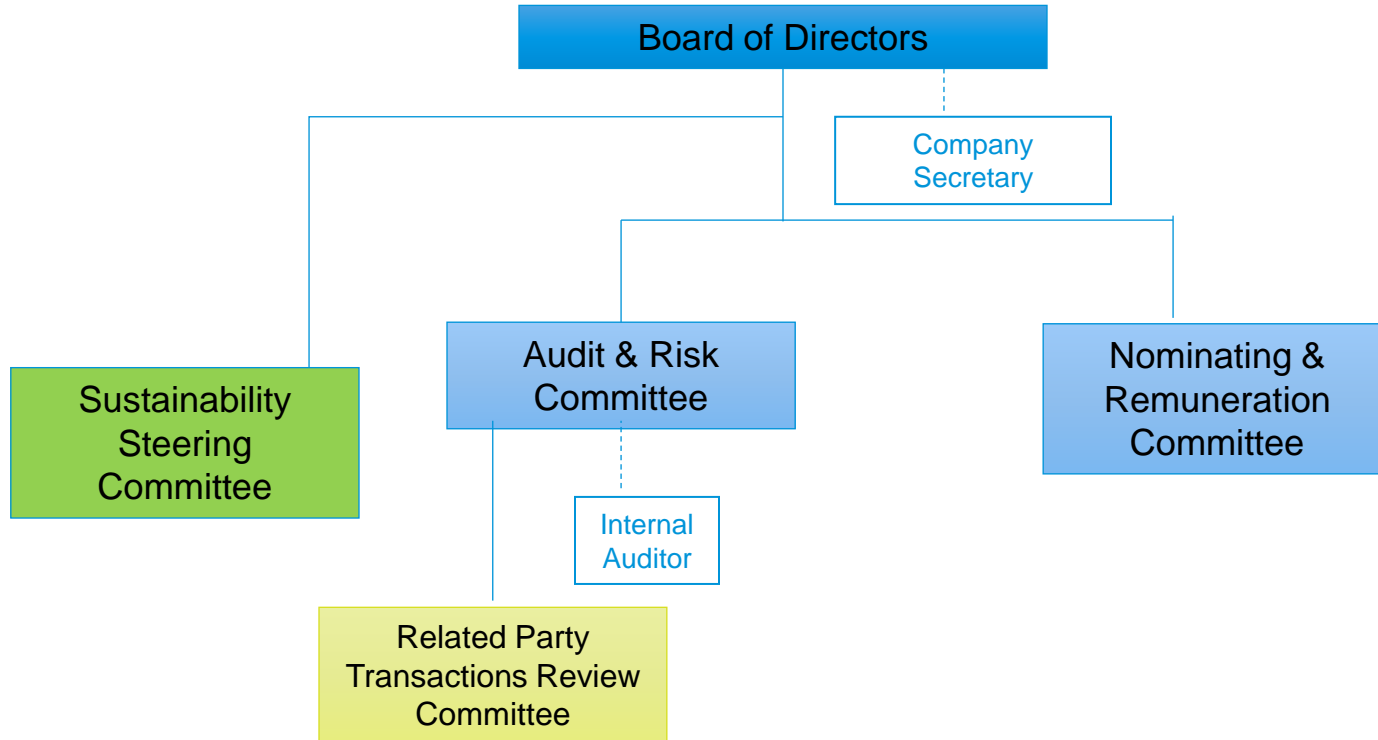
CD - All:92.5%
SN- All:77.8%



*from Department of Veterinary Services Malaysia Milk Collection Centre and Direct Farms in 2021

	Name	Designation	Profile	
	Datin Seri Sunita Mei-Lin Rajamukar	Chairperson, Independent Non-Executive Director	Holds law degree and is a qualified Chartered Accountant Sits on the Boards of HSBC, Petronas Chemicals Group Berhad, MCIS Insurance Berhad and Zurich General Insurance Malaysia Berhad	
	Ramjeet Kaur Virik	Executive Director	Managing Director of Dutch Lady Milk Industries Berhad	
	Tengku Nurul Azian Tengku Shahriman	Independent Non-Executive Director Chairperson of Audit Committee	Qualified lawyer and former investment banker Sits on the Board of Sunway REIT Management Sdn Bhd, Freight Management Services Berhad and PPB Group Berhad	
	Saw Chooi Lee	Senior Independent Non-Executive Director Chairperson of the Nominating & Remuneration Committee	Former Managing Director of Dutch Lady Milk Industries Berhad and FrieslandCampina China	
	Corine Tap	Non-Independent Non-Executive Director	FrieslandCampina Nominee Director Senior Vice President of Business Group, Consumer Dairy Asia	
	Dato' Dr. Rosini Alias	Non-Independent Non-Executive Director	Permodalan Nasional Berhad Nominee Director Former Deputy Director-General of the Department of Veterinary Services (DVS). Sits on the Board of MYMBN Berhad	
	Serge Krol	Non-Independent Non-Executive Director	FrieslandCampina Nominee Director Finance Director of FrieslandCampina, Consumer Dairy Asia	
	Darren Kong Kam Seong	Independent Non-Executive Director	Managing Director, Corporate Strategy & Alliance of Fusionex International	

Structure of DLMI's Board



Our Dutch parent company - Royal FrieslandCampina is 51% shareholder of DLMI

- Royal FrieslandCampina is **one of the world's largest dairy companies** with **>150 years** of Dutch dairy heritage & expertise
- Fully owned by a **cooperative** with 15,137 member dairy farmers in the Netherlands, Germany & Belgium
- Main shareholders of Dutch Lady Milk Industries Berhad (DLMI):
 - Royal FrieslandCampina : 51%
 - Permodalan Nasional Berhad (PNB) : ~13%
 - Kumpulan Wang Simpanan Pekerja (EPF) : ~8%



14.1 billion
euros revenue



Facilities in
31 countries



21,715
Employees



15,137
Member dairy
farmers



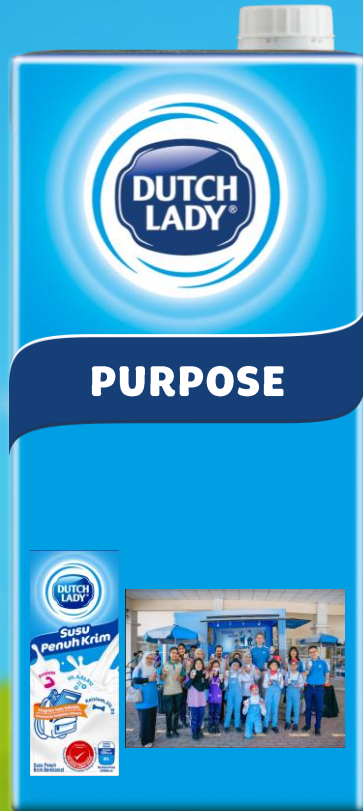
Export to
>100 countries



Every day
millions
of consumers



Dutch Lady Milk Industries Berhad Key Priorities: 4Ps



PURPOSE



Sustainability is Business and Business is Sustainability.

Committed to our Purpose:
Nourishing our Planet and People in
Every Stage of Life

Our continuing efforts are focused on nourishing a growing world population with **good, safe and affordable nutrition**, whilst taking our **responsibility of leaving a sustainable impact** - from grass to glass.



Better Climate Roadmap

By 2030, achieve 30% reduction in energy & water intensity against 2022 baseline...

Towards accelerated Net Climate Neutral & # 1 Nutrition Brand in Malaysia



Deploying Technology & Engineering Solutions

- Renewable Energy & Regenerative Water Plans
- Recyclable & Alternative Packaging Solutions
- Cutting-edge Machinery Investments



Enhancing Business Value & Standards

- Cost Savings and Productivity Improvements
- Energy Management Systems & Standards
- Green / Sustainable Procurement



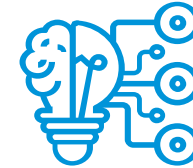
Improving Production Capacity & Efficiencies

- Increase energy efficiency per unit
- Reduce water consumption per unit
- Enhance technical and manpower capabilities



Investing in Revival and Regeneration

- Nutrition Research & Development
- Water Conservation & Circular Initiatives
- Nature-based Solutions



Other 2030 Targets Contributing to Better Climate

- 95% of All Packaging Material Designed for Recycling or Reuse
- Zero Waste to Landfill
- Reduction on CO2e Intensity from Domestic Milk Supply
- Top spend suppliers comply with sustainability best practices

Sustainability is Business and Business is Sustainability.

In brining healthy nutrition, we recognize the need to operate and produce nutrition in balance with climate or within the limits of our planet. Urgent climate action is non-negotiable.

In keeping with our global sustainability strategy – Nourishing a Better Planet, by 2030, we are committed to achieve 30% reduction of both our energy and water intensity against 2022 baseline.

Our key strategies include deploying technology and engineering solutions and improving production capacity and efficiencies towards creating value for both business and the environment.

 **Step up
for a
better planet**

Sustainability Steering Committee | Driving Decisions at the Highest Level

Sustainability is not an isolated function, but a performance KPI across all key functions of the business led by respective management team members, with direction from the Board.



PEOPLE



People Priorities | Focus on wellbeing, growth, leadership and critical capability building

Purpose and Culture

Organizational Change Management, Communication, and Engagement

Social sustainability: Strengthening the positive & inclusive work environment (DEI)

Growth

Career & Development (PDP) Cascade for non-managers & Succession Pipeline

Future Skills Development (Incl. ACE and Big Blue) Line Manager Leadership

Employee Experience

Primary Processes (in Employee Journey) and Compliance

EVP to enhance employer branding, talent attraction and retention



People Priorities | 2023 YTD dashboard on 'Best Place to Work' Grid

Key Performance Indicators

Diversity in Gender (Executives)

52% : 48%

Female: Male
MY Average 44% : 56%

Over2You Jun 2023 Engagement Index

76

vs 76 GLINT external benchmark

Employee Health Check-Up Coverage*

16%

vs 20% for 2023 ; Annual KPI

Personal Dev Priority* Quality – 70:20:10 , Clarity

81%

vs 80% target for >HG16; Annual KPI

Avg Training Hours per Employee

29.6 hours

vs 12.8 hrs p.a.
MY F&B Industry Average HRDCORP

Over2You Jun 2023 Growth

74

vs 71 GLINT external benchmark

Voluntary Attrition Rate

6.13%

Vs 11.8% p.a. Mercer Industry Avg 2023

Span of Control

7.37

vs target of 6.00
RFC Global and External BM

Avg. Time to Fill

36 days

vs 64 days in 2022
(Gartner external benchmark 102 days)

Awards & Recognition | recognised as an attractive employer of choice, committed to best people practices



2023 Graduates' Choice Award - Winner for FMCG category

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

*January 2023



MISA 2023 Special Edition - Best Flexible Work Arrangements Program

- Judged by a panel of expert, independent judges, appointed by Malaysian Dutch Business Council

*February 2023



First Dairy Company to be Certified as the Top Employer in Malaysia

- Assessed for 20 topics and 350 people best practices
- Ranked in the 2nd Quartile among 2100 companies globally

*June 2023

PERFORMANCE



Malaysia Dairy Market | "local" ambition, evolving and tightening regulations, and growing competition



100% SSL BY 2025

The country needs at least another 30,000 cows to meet growing demand, as children are encouraged to drink fresh milk in schools.

LOCAL AGENDA

To help farmers, the Ministry of Agriculture and Food Security is offering a RM20,000 (US\$4,500) grant for young agropreneurs. Small hold farms continue to be the focus for Dairy Development

TIGHTENING REGULATIONS

The 1985 Food Regulations are being proposed for revisions, where Ministry of Health (MOH) is seeking to improve control on the scope of milk products for better safety as well as nutritional claims and labelling

DECLINING DAIRY CONSUMPTION PER CAPITA

Dairy consumption per capita reduced from 17.0 CME/capita in 2019 to 15.5 in MAT 2023.

1 in 5 children below 5 years old are affected by stunting in Malaysia

Source: Nielsen and DOSM | National Health and Morbidity Survey (NHMS) 2022

POWDER VS. LIQUID

Liquid dairy grows at CAGR18-22 +4.3%, while powder (IFT, FMP & HFD) is declining by CAGR18-22 - 2.9%.

Adult nutrition is the only growing dairy in powder format (CAGR20-22: +4.7%)

Source: Nielsen 2018-2022

LOCAL COMPETITION

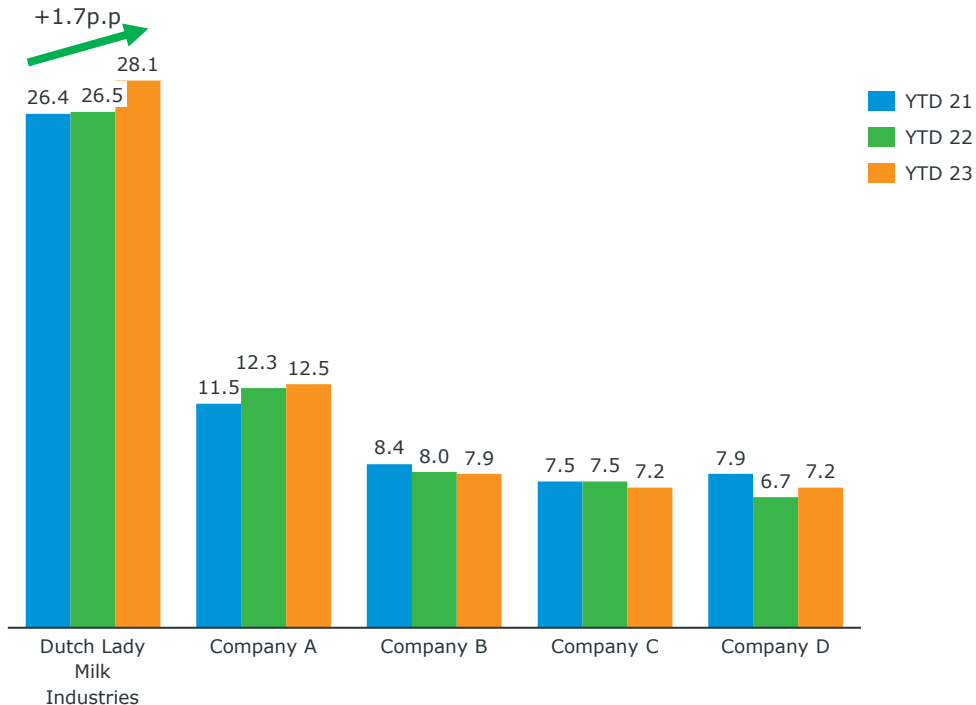
210 dairy brands available in Malaysia in MAT Jul 2023

Besides, Competitor A, one of Malaysia's largest agribusiness firms is set to invest RM4.5 Billion in a Large-Scale Dairy Farming Project with Competitor B.

Source: Nielsen MAT Jul 2023

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

Dairy Manufacturer Value Share%

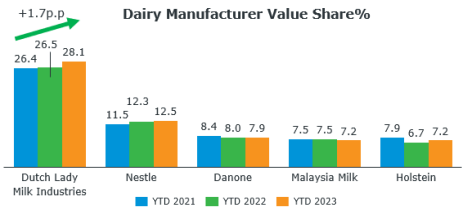


Performance: Winning in the market!

Our brands continue to Win in the market despite a challenging environment.

(1) DLMI strengthening position as leader in dairy !

- ✓ Awarded as the **No. 1 Most Chosen Brand in the Dairy category** from KANTAR's Brand Footprint 2023 and continuing to **grow share in 2023!**



(2) Dutch Lady Liquid Milk continues to thrive !

- ✓ Approximately **57%** of Malaysian Household chose Dutch Lady brand for their liquid milk product
- ✓ YTD 2023, Dutch Lady continues the **#1** position, value share within Liquid Milk category increased **+2.9 p.p. vs PY***
- ✓ Dutch Lady consumer dairy continues driving consumer excitement and enjoyment through innovations and occasions.



(3) Dutch Lady IFT continues to lead

- ✓ Approximately **30%** Malaysian parents choose Dutch Lady brand as their child's IFT product.
- ✓ Dutch Lady IFT continues the **#1** position within Peninsular Malaysia.
- ✓ MaxGro innovation success grew from #5 to **#3** position in the CNS category .



(4) Friso Gold continues to a strong challenger !

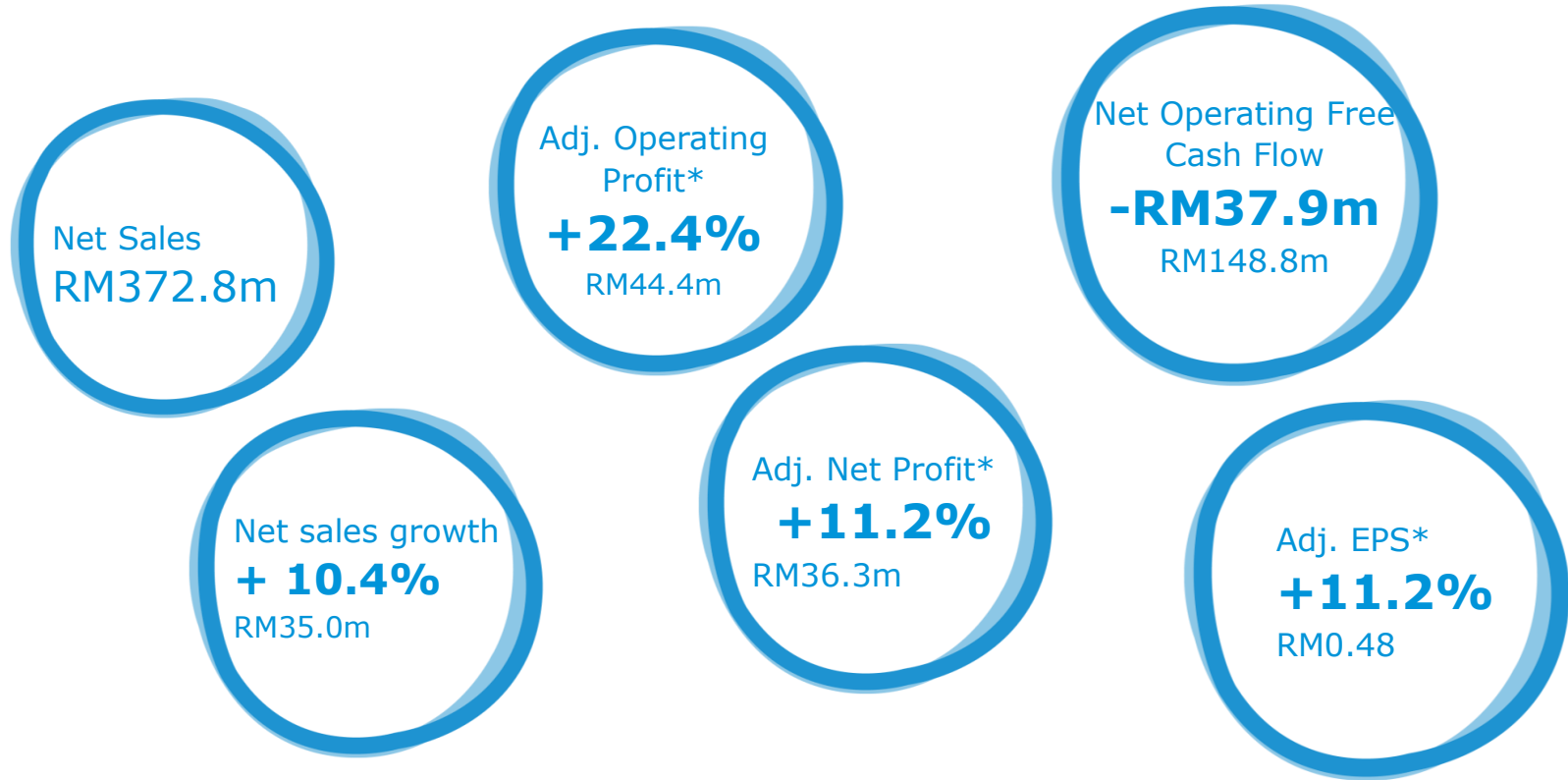
- ✓ Friso Gold is the **#2** brand in Premium IFT segment with its unique grass-to-glass and good digestion for stronger inside proposition.
- ✓ **#1** brand recommended amongst HCPs.
- ✓ Friso Gold continues to drive positive talkability on digital platforms through national campaigns and Friso Gold Mombassadors community.





Q3 2023 financials versus Q3 2022:

Excellent top-line growth, Improved profitability driven by Revenue Growth Management and Cost Improvements

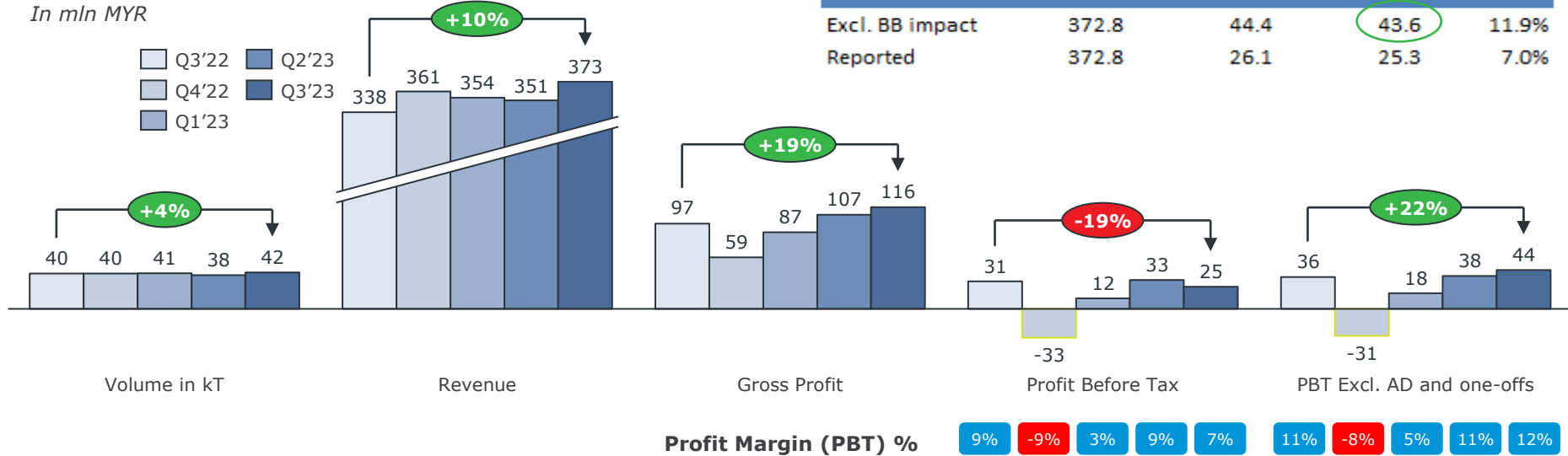




DLMI key financials

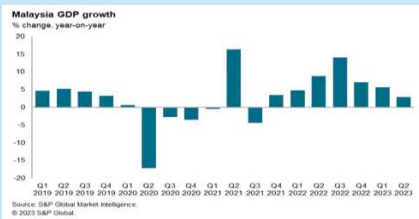
Strong topline driven by increasing volume, but profit declined as a result of higher expenses related to Big Blue.

In mln MYR



Outlook: external environment remains tough for business

Macroeconomic Factors



Stagnating GDP growth



Unstable and weakening FX reaching lowest point in 25 years

Regulations, Policies and Mandates

TAX REFORM

- **Service Tax** increased from 6 per cent to 8 per cent, except for services related to food, beverages and telecommunications
- **Mandatory e-Invoicing** for taxpayers with annual income or sales exceeding RM100 million starting Aug 1, 2024

Tax reform: SST 6% to 8, introduction of eInvoicing



Increasing costs of energy

Disruption from geopolitical tensions



Ukraine – Russia war continues to cause disruptions & inflationary shocks

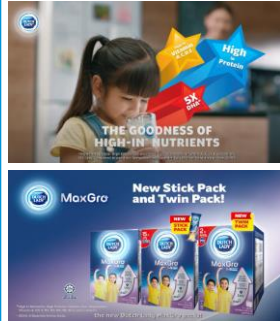


Conflict in the Middle East spikes consumer sentiments

Outlook: We will continue to drive penetration of milk despite volatile and uncertain market dynamics

1

Continue to drive penetration of milk



2

Accelerate Sustainability

BETTER NUTRITION
BETTER SOURCING
BETTER CLIMATE
BETTER PACKAGING
BETTER PEOPLE
BETTER SOCIETY
BETTER GOVERNANCE



3

Improve profitability as dairy raw materials are no longer softening and FX challenge remains



Source: Global Dairy Trade, Nov 2023;
XE.com, Nov. 2023

4

Cash preservation to fund our future growth

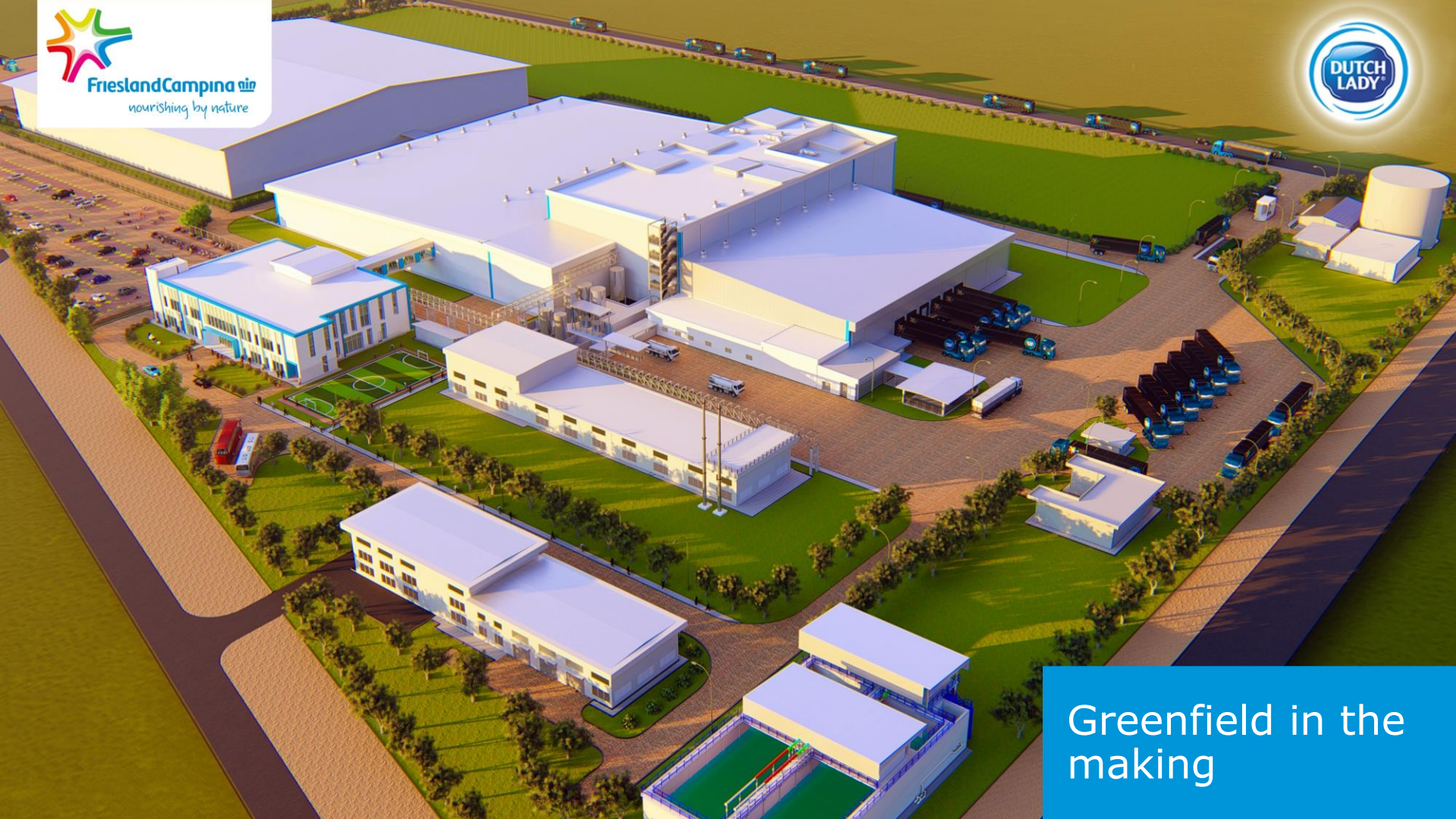


FrieslandCampina
nourishing by nature



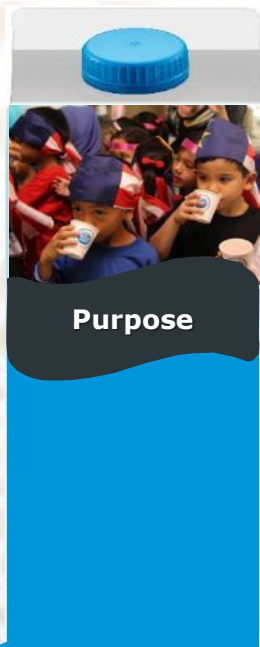
Potential



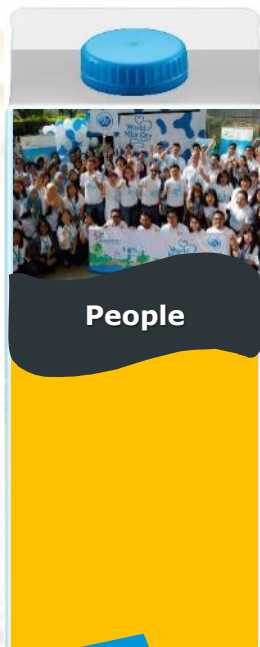


Greenfield in the
making

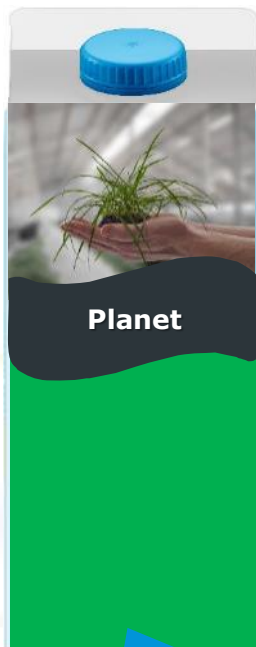
The greenfield will support DLMI's purpose to Nourishing Malaysians with quality & sustainable dairy nutrition, for now and generations to come



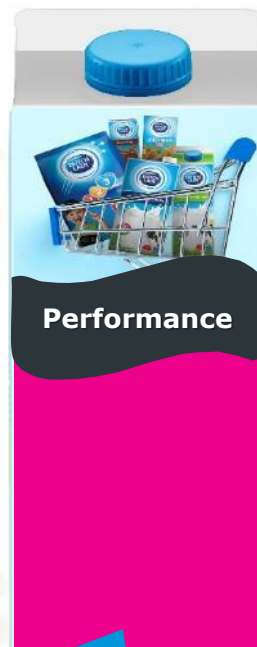
RM 600mln investment to continue to nourish the Malaysian people



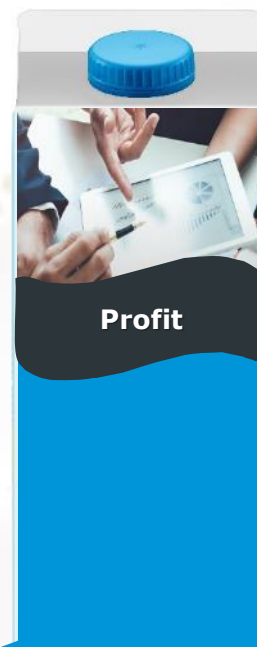
Upgraded technology brings new skills and opportunity for growth



Produce more sustainably



Innovations & improved efficiencies



Gross Profit improvement

Our transformation journey!

<2021

2021

2022

2023

2024

Acquisition land
Bandar Enstek (in
world's largest Halal
hub)

Forming of Big Blue
project
organization
including kick-off



Start construction



Completion **land
sale** (Q4 '21) for
gross RM 200 mln



**Continuation of
construction** of new
factory



Start installation of
new equipment



**Preparation
transfer of Dutch
Lady IFT** products
from MY to
Indonesia



**Finalization of
construction** and
**start installation &
commissioning** of
new factory

Transfer IFT to
start from April 2023



**Market transition
plan** to start from
H2 '23



Double operations:

- **Ramp-up** of
commercial
production in
Enstek
- **Ramp-down** of
commercial
production PJ

Closure of Petaling
Jaya factory

Stabilize DLMI @
Enstek factory after
start-up



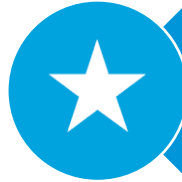
New Legacy, Work in progress!



progressing at >75% completion

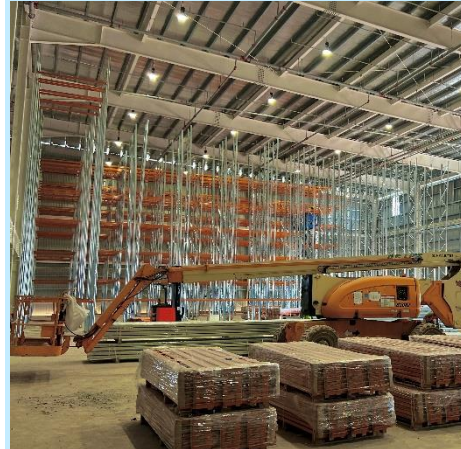


>95% of construction completed



>75% of processing completed

RPM Warehouse racking



First filler in filling hall



ENSTEK VIDEO

Q&A

