

3rd March 2017

130



Presentation Disclaimer



This Document (the “**Document**”) is for information purposes only. This Document is not intended to form the basis of any investment decision nor does it constitute a recommendation or advice as to how the reader should act on any matter.

The information in this Document is an overview only and does not contain or purport to contain information necessary for investment decisions. In making any investment decision, investors should rely on their own examination of Dairy Farm and consult with their own legal, tax, business and/or financial advisors in connection with any acquisition of securities.

The information contained in this Document has been prepared in good faith by Dairy Farm and it may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Dairy Farm’s businesses and operations, market conditions, results of operational and financial conditions, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to rely on these forward looking statements. Dairy Farm does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Dairy Farm’s control. Past performance is not a reliable indication of future performance.

This Document does not constitute or contain an offer for purchase or invitation to purchase any securities and neither this Document nor anything contained herein shall form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.



2016 Highlights

Strategic Initiatives

Financial Results

Outlook



- **Consumer-centric retailing**
 - IT Systems
 - Range innovation (e.g. RTE)
- **Exceptional availability and value**
 - Fresh DCs
 - Corporate Brand
 - Direct Sourcing
- **Market leading accessibility**
 - IKEA online and Pick-up-Points
 - E-commerce in Food, Health & Beauty
- **Pan-Asian strength**
 - Mainland China
 - The Philippines
- **Highly performing teams**
 - Quality Assurance
 - Merchandising
 - Corporate Brand

Profits buoyed by margin gains and associate contributions

- Sales of subsidiaries up 2%*; total sales up 17%*
- Underlying net profit up 8%* to US\$460m; stronger second half
- Margins up in Food, Home Furnishings; Health and Beauty lower
- Increased contribution from Yonghui and Maxim's
- Final dividend up US1¢ to US14.50¢

*In constant currency



Greater China solid, margin improvement in Southeast Asia

Greater China



Sales:

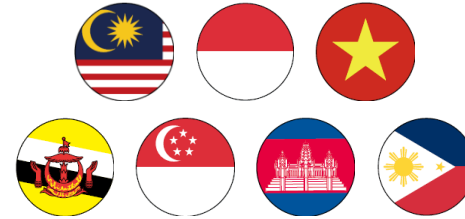
+5%

Op. Profit:

Flat

- Hong Kong profit slightly down
- 7/11 China expansion continues
- Improved profit in Taiwan
- Increased Yonghui contribution

Southeast Asia



-2%

+43%

- Singapore profit recovery
- Margin gains in Indonesia
- Philippines turnaround
- Challenges in Malaysia

Sales and operating profit of subsidiaries, in constant currency

Dairy
Farm

Improved performance in key countries; although still work to do



Sales



Flat



Op. Profit

Slightly down



Factors

Rent, labour

Store closures

Price controls





Store closures,
trader sales
curtailed

Sales and operating profit of subsidiaries, in constant currency

**Dairy
Farm**







Pleasant progress in emerging businesses



Country	Format	Highlights
	H&B Supers/Hypers	Rose integration RSCI profit turnaround
	Convenience Yonghui	7-Eleven network expansion to 828 stores and increasing profitability Yonghui significant network expansion (up 105 stores to 487 stores) and margin gains
	H&B	Further expansion at Guardian
	Maxim's	Maxim's opens flagship Starbucks store

Across formats, performance was more even



	Sales	Op Profit	Stores
	—	+13%	-8
	+5%	+15%	+46
	+4%	-5%	-100
	+6%	+12%	—
	+7%	+4%*	+71
	+17%*	+105%*	+105

All in constant currency

*Restaurants share of profit after tax; Yonghui represents full year movement

Dairy
Farm

Supermarkets and Hypermarkets



Fresh and Corporate Brand remain key priorities

- Fresh penetration +0.6%
- New fresh DC in Singapore
- Private label penetration +0.1%
- Improved international sourcing to leverage Group scale
- Hong Kong e-commerce enhancement



Dairy
Farm

Convenience Stores



Ready-to-Eat and Guangdong expansion are biggest opportunities

- RTE participation +0.8%
- China network growth
- 7-Eleven Japan collaboration
- Enhanced service offers
- Direct sourcing



**Dairy
Farm**

Range enhancements and network expansion key

- Private label participation +0.2%
- Optimize health range wherever practicable
- Stronger beauty offer
- New Rose Pharmacy e-commerce
- Solid base in high growth markets (Indonesia, Philippines, China, Vietnam)



Improving accessibility the biggest opportunity for IKEA

- Property expansion
- E-commerce launch
- Three new pickup points



Restaurants



Concept and product innovation driving growth at Maxim's

- Product innovation (e.g. Lava Custard Mooncakes)
- New market expansion
- Introduction of new brands (e.g. Cova, The Cheesecake Factory)



**Dairy
Farm**

Solid improvement in profits



Profit and Loss (US\$'m)	2016	%△		CCY %△	
Sales					
- Including Associates & JVs	20,424	↑	14	↑	17
- Reported	11,201	↑	1	↑	2
Operating Profit	459	↑	6	↑	7
Share of Results of Associates and JVs	118	↑	39	↑	42
Underlying Net Profit	460	↑	7	↑	8
Underlying EPS (US¢)	34.03	↑	7	↑	8
Final Dividend per Share (US¢)	14.5	↑	7		



Growth in most formats despite market pressures



(US\$ m)	Sales				CCY	
	2016	2015	%		%	
Food	8,168	8,197	↔	0	↑	1
Supermarkets & Hypermarkets	6,217	6,316	↓	2	↔	0
Convenience Stores	1,951	1,881	↑	4	↑	5
Health and Beauty	2,436	2,373	↑	3	↑	4
Home Furnishings	597	568	↑	5	↑	6
<u>Key Associates</u>						
Maxim's	2,019	1,882	↑	7	↑	7
Yonghui	7,394	6,698	↑	10	↑	17

Note: Sales includes 100% of Maxim's and Yonghui; Yonghui 2015 represents full year figure



Pleasant margin progress in Food



(US\$ m)	Op. Profit	2016 Margin ¹		
	2016	%	2015	pp
Food	267	3.3	↑	0.4
Supermarkets & Hypermarkets	194	3.1	↑	0.4
Convenience stores	73	3.8	↑	0.4
Health and Beauty	175	7.2	↓	0.6
Home Furnishings	71	11.8	↑	0.6
	513	4.6	↑	0.2
Support Office	(60)			
Underlying Operating Profit	453	4.0	↑	0.1

Note 1: Margin represents operating profit to subsidiaries' sales



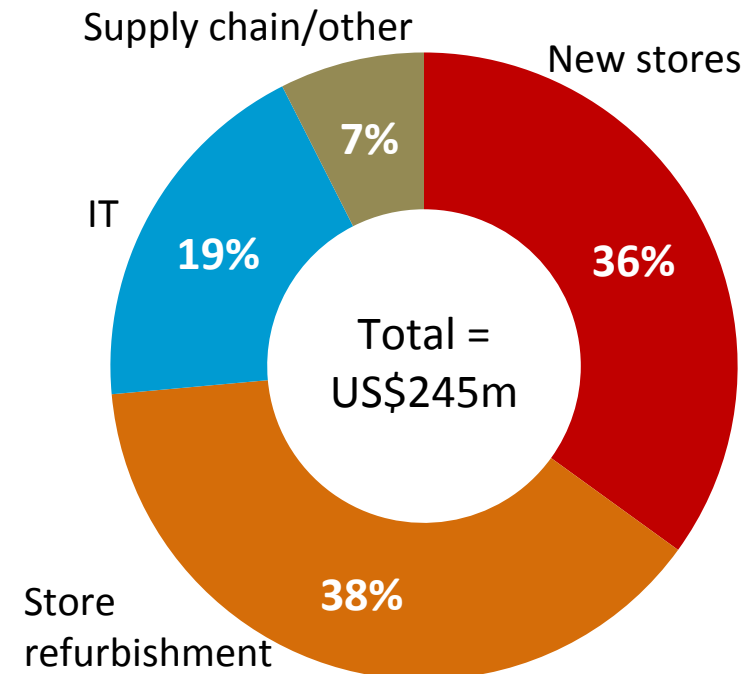
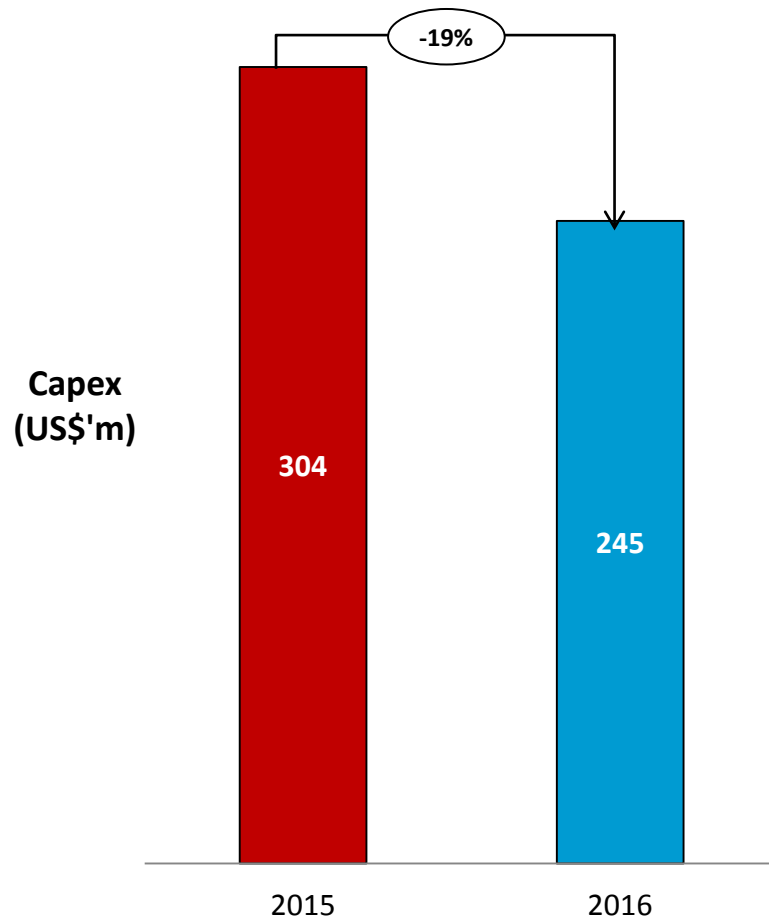
Increase in debt due to YH subscription and working capital

- Higher working capital driven by timing of supplier payments and increased stock due to earlier CNY
- Net debt increased US\$159m to US\$641m
- Debt refinancing to extend maturity profile
- Underlying EBITDA up 3% to US\$665m

Capital expenditure 2016



- Additional investment in Yonghui
- Lower normal capital expenditure:





- Trading conditions remain uncertain
- Entering 2017 with some positive momentum
- Investing purposefully to meet changing consumer needs
- 2017 focus on growing sales whilst holding margin gains
- Continue to invest for long term growth