Announcement

The following announcement was issued today to a Regulatory Information Service approved by the Financial Conduct Authority in the United Kingdom.

DAIRY FARM INTERNATIONAL HOLDINGS LIMITED

Interim Management Statement

11th November 2021 – Dairy Farm International Holdings Limited today issues its Interim Management Statement for the third quarter of 2021.

The Group's overall performance in the third quarter continued to be significantly affected by the COVID-19 pandemic and underlying losses reported for key associate Yonghui. As anticipated at the half-year, the Group's third quarter and year-to-date results were, therefore, well below the equivalent periods in 2020, when performance benefitted from both panic buying and government support.

Like-for-like sales for the Group's Grocery Retail businesses were lower in the third quarter than in the same period last year, as customer buying behaviours continued to normalise from a high sales base in 2020. Third quarter profitability for the division reduced compared to the same period last year, due to a combination of lower sales and the absence of government subsidies. The Group nevertheless remains encouraged by the progress made with the transformation of the business, with strong growth in underlying profitability in the third quarter of 2021 compared with the third quarter of 2019, before the onset of the pandemic.

The Group's Convenience business continued to report like-for-like sales growth, driven primarily by strong growth in Hong Kong and Macau. Like-for-like sales in Southern China and Singapore were impacted by COVID-19 outbreaks and related restrictions. Underlying profitability in the third quarter improved relative to the first half of the year.

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Like-for-like sales growth for the Group's Health and Beauty businesses improved in the third quarter relative to the first half, driven predominantly by Mannings Hong Kong and Guardian Singapore. However, reduced levels of government support impacted profitability in the quarter compared to the same period last year. More generally, relative to historical trends, profitability continued to be significantly affected by an ongoing lack of tourist custom and reduced footfall in malls.

Sales in the Home Furnishings business reduced compared to the equivalent period last year. Like-for-like sales in the quarter were impacted by government restrictions on store trading and the impact of ongoing supply chain disruptions. Overall profitability for the Home Furnishings business was lower, due to a combination of higher pre-opening expenses for new store openings, lower profitability in Indonesia – where government restrictions on trading were most severe – and the sales impact from lower levels of product availability.

The profitability of Maxim's, the Group's 50%-owned associate, grew in the third quarter compared to the same period last year, due to stronger levels of restaurant patronage, particularly in Hong Kong, as well as encouraging levels of mooncake sales during the Mid-Autumn Festival. Yonghui's sales in the third quarter were ahead of the prior year, but increased levels of competition continued to substantially impact margins and the Group's profitability. Robinsons Retail reported strong growth in net income for the third quarter with continued improvement in quarterly performance indicative of the recovery of the Philippines economy.

Despite the challenges posed by COVID-19, the Group has continued to execute its key transformation and growth initiatives in the quarter. In both Hong Kong and Singapore, the Group has continued to upgrade its upscale store network. As part of this initiative, an upgraded Marketplace store has seen the introduction of the world-first 'IKEA Close to You' store-in-store concept. During the quarter, IKEA Indonesia also opened its fourth store and has now more than doubled the total area of its store network since the start of the year. In addition, in October the Group introduced a new 'Wellcome Fresh' concept store – the largest supermarket in Hong Kong – offering the best elements of traditional wet markets and modern retail.

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In May, PT Hero, the Group's 89.3% owned subsidiary in Indonesia, announced that, following a strategic review, it would be pivoting its trading operations away from the Giant banner by increasing investment in its strong brands of IKEA, Guardian and Hero Supermarkets. This change in strategy is a decisive and necessary response to changing market dynamics, particularly given the move away from the hypermarket format by Indonesian consumers in recent years. During the third quarter, PT Hero successfully executed the restructure of Giant in Indonesia. As a result, six stores have been successfully converted to the Hero banner, whilst a number of other sites are planned for future IKEA conversion. A number of stores have been successfully divested and PT Hero remains in active discussions with third parties to divest further stores.

The Group expects the remainder of 2021 to be challenging. Despite the ongoing challenges posed by COVID-19, the Group remains encouraged by the momentum of its multi-year transformation and is confident that it is delivering sustainable improvements to the business over time which will drive medium- to long-term growth.

DFI Retail Group is a leading pan-Asian retailer. The Group, together with its associates and joint ventures, operates over 10,000 outlets – including supermarkets, hypermarkets, convenience stores, health and beauty stores, home furnishings stores and restaurants – employing some 230,000 people, and had total sales in 2020 exceeding US$28 billion. The Group's parent company, Dairy Farm International Holdings Limited, is incorporated in Bermuda and has a primary listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. DFI Retail Group is a member of the Jardine Matheson Group.

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This and other Group announcements can be accessed through the Internet at 'www.dairyfarmgroup.com'.