Delfi
LIMITED
Company Registration No.: 198403096C

QUESTIONS FROM SHAREHOLDERS IN RELATION TO THE 2021 ANNUAL REPORT

The Board of Directors (the "**Board**") of Delfi Limited (the "**Company**") refers to the Company's announcement dated 08 April 2022 on the Important Notice to Shareholders regarding the Company's Annual General Meeting to be held on 26 April 2022 (the "**Announcement**").

Further to the Announcement, the Board have received questions from shareholders ("**Questions**"). The Board would like to thank shareholders for submitting the Questions and is pleased to set out its responses as follows:

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1) **Can the management elaborate on the proposed China expansion plan as reported in the news? Any impact to DPU?**

   Like many leading regional food companies in Asia, Delfi is constantly looking for opportunities to increase earnings growth and enhance shareholder value by growing in our geographical area of expertise. An important regional strategy for accomplishing this is to develop a strong presence in the largest consumer markets in the region, with the aim that it will be profitable. We already have well established businesses in the two largest markets in Southeast Asia by population, Indonesia and the Philippines, both of which are growing chocolate confectionery markets in South East Asia.

   From a macro perspective, China, with the world's largest population, rising income, and a low penetration level of chocolate consumption, could be an attractive market. However, entering China is not straight forward and comes with significant risks. Although we are open to the right opportunity in China, we do not have any plans currently. We will communicate any plans in the future, should they occur, at the appropriate time.

2) **While the revenue from Agency Brands has exceeded the 2019 pre-pandemic levels, the revenue from Own Brands is still markedly below the 2019 levels. From 2020 to 2021, there is hardly any recovery in the Own Brands revenue. How would the management interpret this data? Is Own Brands portfolio losing its appeal?**

During 2019 to 2021, our Agency Brands segment for the region was supported by the concentration of premium brands in the segment, the impact of snacking products, and an increase in the number of brands in the segment. Premium brands tend to be more resilient during times of uncertainty like the COVID situation. The trend of consuming more snacking products during the pandemic pushed up demand during the period. Sales of the Agency Brands segment benefited from new brands added to the business in 2021.

Our Own Brands segment experienced lower demand in the region beginning in mid-2020 because of the impact from COVID. In Indonesia, which accounts for the largest part of our business, the product mix includes value brands as well as premium ones. Although the premium brands were more resilient during the pandemic, the value brands experienced a negative impact that weighed down the sales for the overall Own Brands segment. As the market in Indonesia began its recovery in 2021, we saw a quicker rebound in the premium category of Own Brands, but that was partially offset by the slower recovery in sales of the less resilient value brands.

Indonesia is our largest market and the impact from the country's pandemic related safety measurements has had a larger downward impact on overall revenues offsetting the improvements elsewhere in the region. The lower demand in Indonesia has contributed to the slower rebound to pre-pandemic sales revenues for the Own Brands segment.

3) **Regarding capital expenditure, what is our immediate capex plans for the next 2 years? Are these new machines or replacement capex? How much will we be spending?**

Before the onset of COVID, we were contemplating investments in capex to meet future business growth. However, with the impact from the pandemic, and with our production capacity at the time sufficient to support our business, we curtailed our capital expenditure over the last two years to only the most essential needs.

However, with the operating environment expected to improve in 2022 and 2023 compared to 2021, we will assess our capex needs and whether to revert to a more normal level of capex which will include replacement capex, combined with investments in new machinery, to support the expected growth of our business.

4) **About China market, what are our plans for entry? It is a competitive market and maybe the company does not want to reveal too much. A brief response will be great for shareholders.**

Please refer to answer to Question 1.

5) **Van Houten - how have we done with this brand since our purchase of rights in 2018? Are we using this to enter China?**

Since purchasing the rights for Van Houten in 2018, we believe that we have successfully integrated the brand into our Own Brands portfolio in Indonesia and the Philippines.

Since the purchase, we have reformulated some of the items and launched a new phased roll-out of the brand as part of the consumer trend of "Better for You" offerings. Additionally, we have invested in the brand to reposition it in the minds of consumers, and to enhance the colour schemes and packaging designs to refresh and rejuvenate the brand image.

Responding to the consumer preference for healthier products, we introduced a new Van Houten Dark Milk concept, which has both a higher cocoa content and reduced sugar amount. We are excited about these developments and are looking forward to introducing even more innovative products in the coming years.

Van Houten is envisioned as a regional brand and we continue to move forward on our current phased roll-out to other markets mainly in Southeast Asia. Please refer to answer to Question 1 for this part of the question on China.

6) **Thank you for the dividends. Hope we can have a physical AGM next year.**

It is a longstanding practice of Delfi to deliver value to shareholders by sharing profits through dividends. The strong financial results in 2021, including the strong generation of free cash flow, supported the level of dividends for the year and hence the additional "special" dividend.

As much as we would like to conduct a physical AGM next year, we think the ability to do so will depend on the evolution of the COVID situation in Singapore and Southeast Asia.

7) **As we watch the records of the business in Philippines, we found that the revenue has continued its downward trend from US$54m in Y2014 to US$38m in Y2021, can I know the reasons and what plans management has to reverse this trend.**

The performance of the Agency Brand segment was the main reason for the decreased revenue trend of our overall Philippines business over this time period as we implemented a planned rationalisation of our Agency Brand portfolio. Sales were also impacted by the COVID pandemic from ensuing lockdowns that were implemented to protect public safety. The lockdowns limited consumer mobility and significantly reduced the operating hours of retail businesses with a knock-on effect on our sales

Our Own Brands segment in the country also experienced reduced sales in 2020 and 2021 mainly from the long, drawn out school closures across the country. The combined impact from the planned reduction in Agency products combined with the impact from COVID resulted in the reduced revenues from 2014 to 2021.

We will continue to actively manage both our Agency and Own Brands segments by focusing on the growth of our core strategic products to drive higher growth of our premium products, and launch additional products to capture the "Better for You" trend. We believe that our focus on evolving consumer preferences in the Philippines and the alignment of Own Brands to capture trends driven by young Millennials and Gen Zs, should contribute to our future growth in the country.

By Order of the Board

Siau Kuei Lian
Company Secretary

21 April 2022