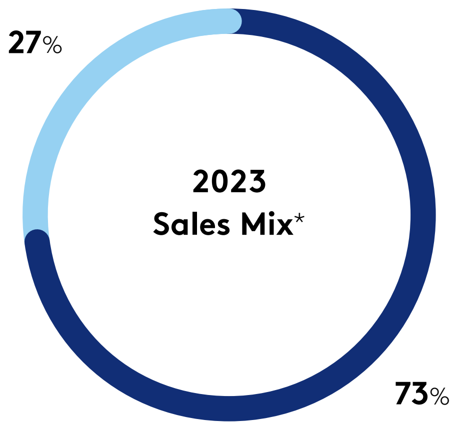
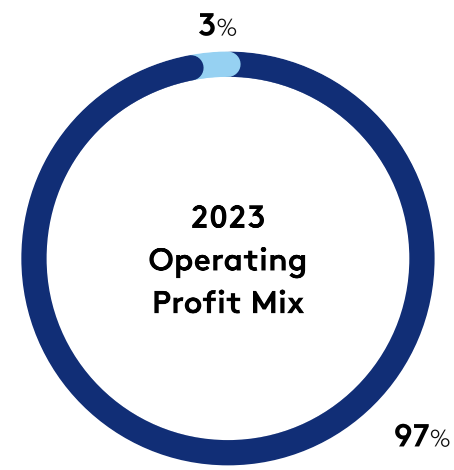
Financial Review

2023 was an encouraging year for DFI Retail Group, with the Group's reported underlying profit attributable to shareholders substantially increased by US$126 million from US$29 million to US$155 million. The increase was supported by strong growth in profitability across subsidiaries and improved performance of associates.





North Asia

South East Asia

* Sales of goods.

Accounting policies

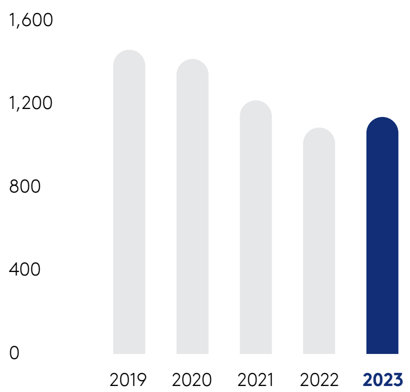
The accounting policies are consistent with those of the previous year. The Directors continue to review the appropriateness of the accounting policies adopted by the Group, regarding developments in International Financial Reporting Standards ('IFRS Accounting Standards'). In 2023, a number of amendments to the IFRS Accounting Standards become effective and the Group has applied these amendments with no material impacts to the financial statements.

Results

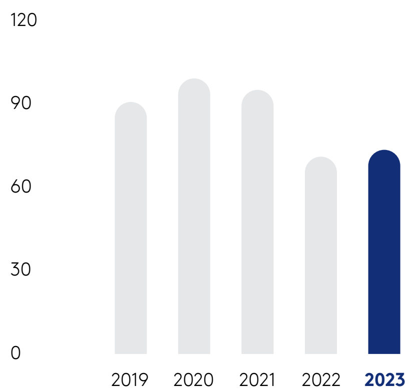
2023 was an encouraging year for DFI Retail Group, with the Group's reported underlying profit attributable to shareholders substantially increased by US$126 million from US$29 million to US$155 million. The increase was supported by strong growth in profitability across subsidiaries and improved performance of associates.

Revenue, excluding those of associates and joint ventures, totalled US$9.2 billion, broadly in line with last year. Total revenue including 100% of associates and joint ventures, was 4% down at US$26.5 billion.

Underlying EBITDA (US$m)



Net Asset Value per Share (US¢)



Health and Beauty reported a strong sales and profit growth for the full year. The growth was driven by traffic recovery from markets reopening, gross margin improvement and good cost control.

Sales growth in Convenience was driven by the LFL sales growth as a result of border reopening and post lifting of COVID-related restrictions. Recovery of foot traffic and favourable margin mix shift supported the significant profit growth.

Food reported a reduction in operating profit. In North Asia, profitability was adversely impacted by the annualisation of pantry stocking behaviour during the fifth COVID wave in Hong Kong which occurred in the first half of 2022. In South East Asia, lower profitability was resulted from intensive competition and weakening consumer sentiment.

Home Furnishings reported a reduction in sales as a result from softening property market sentiment due to higher interest rates and slow recovery in home furnishings sector after the COVID-related restrictions. The shortfall in revenue resulted in lower profitability.

Net financing charges increased by US$22 million compared to 2022, reflecting the higher interest rates on external borrowings and higher interest expenses charged on leases.

The Group's share of underlying results of associates and joint ventures was US$43 million, comparing to a loss of US$35 million last year.

Contribution from Maxim's underlying results was US$79 million, more than doubled comparing to US$38 million in 2022. Strong improvement in profitability was benefitted from good recovery across all markets post lifting of COVID-related restrictions and resumption of economic activity.

The Group's share of Yonghui's underlying loss was US$36 million, compared to US$80 million in the prior year. The Group's interest in Yonghui, increased from 21.13% to 21.44%, following the share buyback by Yonghui during the year.

The Group's share of underlying results in Robinsons Retail decreased by 36% to US$15 million. During the year, the Group's interest in Robinsons Retail also increased from 21.30% to 21.47% following the share buyback by Robinsons Retail.

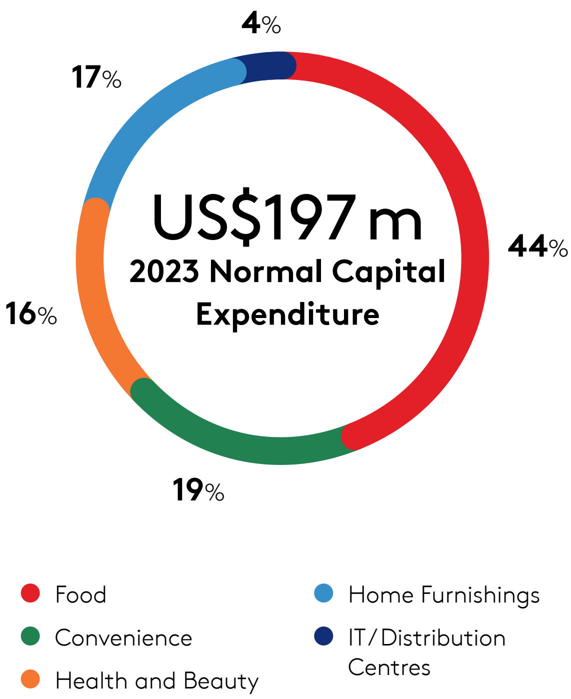
The tax charge for 2023 was US$41 million, 31% higher than 2022, mainly due to the increase in underlying operating profit during the year.

Net non-trading expenses attributable to shareholders of US$123 million were reported in 2023, principally from the impairment charge on goodwill, loss from the divestment of the Malaysia Grocery Retail business and the fair value loss on other investments, partly offset by the profit on sale of certain properties in Singapore and Indonesia, together with net gains on the share of non-trading items of associates and joint ventures.

Underlying profit attributable to shareholders was US$155 million, significantly increased from US$29 million in 2022. Underlying earnings per share of US¢11.49 were also improved substantially.

Cash flow

Summarised Cash Flow	2023 US$m	2022 US$m
Underlying operating profit	**294**	209
Depreciation and amortisation	**827**	861
Decrease/(increase) in working capital	**45**	(7)
Net interest and other financing charges paid	**(145)**	(121)
Tax paid	**(41)**	(43)
Dividends received from associates	**46**	45
Other	**18**	(4)
Cash flows from operating activities	**1,044**	940
Principal elements of lease payments	**(625)**	(661)
Cash flows from operating activities after lease payments	**419**	279
Normal capital expenditure	**(197)**	(244)
Investments	**(17)**	(28)
Disposals	**119**	71
Cash flows from investing activities	**(95)**	(201)
Cash flows before financing but after lease payments	**324**	78



The Group maintained solid cash flows from operating activities after lease payments of US$419 million, compared with US$279 million in 2022. The increase was mainly due to increased underlying operating profit and the favourable movement in working capital results from better working capital management.

Normal capital expenditure for the store network operation and existing estates, was lower at US$197 million versus US$244 million in 2022 principally due to tighter control on refurbishment of the existing store estate, and there was substantial investment for new IKEA stores in Indonesia and Taiwan in 2022.

During the year, the Group realised proceeds on the disposal of a number of properties in Singapore and Indonesia, together with the proceeds from the disposal of associated properties relating to the divestment of Malaysia Grocery Retail business, a total cash amounting to US$142 million was received.

At 31st December 2023, the Group's businesses, including associates and joint ventures, operated a total of 10,994 stores across all formats in 13 markets, compared with 10,572 stores at the end of 2022. Within which, there were 1,012 Yonghui stores, 1,998 Maxim's stores and 2,368 Robinsons Retail stores.

Balance sheet

Total assets, excluding cash and bank balances, were US$6.8 billion, down US$291 million compared to 2022. The decrease was mainly due to the impairment charge on goodwill, the divestment of the Malaysia Grocery Retail business, and the fair value loss on other investments, partly offset by the revaluation surplus for properties reclassified to investment properties. Net operating assets were US$988 million at the end of 2023, a 5% increase from previous year.

The Group ended the year with reduced net debt level at US$618 million, US$248 million lower as compared to US$866 million at 31st December 2022. The improvement reflects the efforts resulting from the ongoing optimisation of capital structure through disciplined capital and resource allocation to drive the improved shareholder returns.

Dividend

The Board is recommending a final dividend of US¢5.00 per share, giving a total dividend of US¢8.00 per share for the year.

Financing

As of 31st December 2023, the Group had a gross debt of US$924 million, a decrease of US$172 million from 2022. The gross debt is funded by total committed and uncommitted lines of US$2,483 million, with US$1,066 million committed and US$493 million uncommitted facilities being unused and available. The Group had cash balances of US$306 million. The available undrawn committed facilities and the cash pooling scheme continued to provide good support and flexibility to the Group for cash and liquidity needed for the operation.

Where required, and typically for working capital purposes, borrowings are normally taken out in local currencies by the Group's operating subsidiaries to fund daily operations. Borrowings to fund any strategic expansion of the Group are managed centrally and typically funded in United States dollars and Hong Kong dollars, with hedging of foreign exchange and interest rate risk as may be appropriate depending on the investment.

Despite the ongoing market challenges, with the strong foundation, the Group remains confident in the short-, medium- and long-term growth perspective.

Financial risk management

A comprehensive discussion of the Group's financial risk management policies is included in note 39 to the financial statements. The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objectives are to limit exchange and interest rate risks and to provide a degree of certainty about costs. It is our policy not to engage in speculative derivative transactions. The investment of the Group's cash resources is managed to minimise risk while seeking to enhance yield. Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt (short- and long-term), to maximise flexibility for the future development of the business.

Principal risks and uncertainties

A review of the principal risks and uncertainties facing the Group is set out on pages 203 to 210 of the Annual Report.

Clem Constantine
Group Chief Financial Officer
7th March 2024