

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)
(Incorporated in Malaysia)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 30 June 2020

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	COMPARATIVE QUARTER	6 months TO DATE	6 months TO DATE
	30/06/20 (Unaudited) RM'000	30/06/19 (Unaudited) RM'000	30/06/20 (Unaudited) RM'000	30/06/19 (Unaudited) RM'000
Revenue	273,524	243,606	524,694	508,592
Cost of Sales	<u>(185,488)</u>	<u>(152,393)</u>	<u>(348,970)</u>	<u>(309,171)</u>
Gross Profit	88,036	91,213	175,724	199,421
Other Income	1,341	734	6,516	1,839
Distribution Expenses	(34,578)	(41,130)	(71,238)	(80,864)
Administrative Expenses	(7,453)	(7,642)	(16,118)	(15,741)
Other Operating Expenses	<u>(18,674)</u>	<u>(17,145)</u>	<u>(35,490)</u>	<u>(34,639)</u>
Results from Operating Activities	28,672	26,030	59,394	70,016
Finance Costs	(809)	(923)	(1,598)	(1,706)
Interest Income	162	54	335	115
Profit Before Taxation	28,025	25,161	58,131	68,425
Income Tax Expenses	<u>(6,793)</u>	<u>(7,971)</u>	<u>(14,165)</u>	<u>(17,339)</u>
Profit After Taxation	21,232	17,190	43,966	51,086
Profit for the period/Total comprehensive income for the period	<u>21,232</u>	<u>17,190</u>	<u>43,966</u>	<u>51,086</u>
Profit Attributable to:				
Equity holders of the Company	21,232	17,190	43,966	51,086
Non-controlling interest	-	-	-	-
	<u>21,232</u>	<u>17,190</u>	<u>43,966</u>	<u>51,086</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>33.20</u>	<u>26.90</u>	<u>68.70</u>	<u>79.80</u>

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION

For the financial quarter ended 30 June 2020

	AS AT 30/06/20 RM'000 (Unaudited)	AS AT 31/12/19 RM'000 (Audited)
ASSETS		
Property, plant and equipment	133,215	123,482
Right-of-use assets	7,765	3,977
Intangible assets	1,176	1,675
TOTAL NON-CURRENT ASSETS	142,156	129,134
Inventories	195,331	135,024
Trade and other receivables	94,650	112,852
Prepayments	7,592	5,052
Derivatives financial assets	748	-
Cash and cash equivalents	78,404	61,532
TOTAL CURRENT ASSETS	376,725	314,460
TOTAL ASSETS	518,881	443,594
EQUITY		
Share capital	64,000	64,000
Retained profits	124,383	80,417
Attributable to equity holders of the Company	188,383	144,417
TOTAL EQUITY	188,383	144,417
LIABILITIES		
Deferred tax liabilities	6,514	6,794
Lease Liabilities	3,034	340
TOTAL NON-CURRENT LIABILITIES	9,548	7,134
Trade and other payables	289,578	264,928
Provision	68	207
Derivatives financial liabilities	836	1,887
Current tax liabilities	10,951	7,663
Bank overdraft	17,595	16,724
Lease Liabilities	1,922	634
CURRENT LIABILITIES	320,950	292,043
TOTAL LIABILITIES	330,498	299,177
TOTAL EQUITY AND LIABILITIES	518,881	443,594
Net assets per share attributable to ordinary equity holders of the Company (RM)	2.94	2.26

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITYFor the financial quarter ended 30 June 2020
(The figures have not been audited)

	Share Capital RM'000	Distributable Retained profits RM'000	Attributable to equity holders of the Company RM'000	Non- Controlling Interest RM'000	Total RM'000
6 months ended 30 June 2020					
Balance at beginning of period	64,000	80,417	144,417	-	144,417
Movements during the period	-	43,966	43,966	-	43,966
Dividend payable	-	-	-	-	-
Dividends paid	-	-	-	-	-
Balance at end of period	<u>64,000</u>	<u>124,383</u>	<u>188,383</u>	<u>-</u>	<u>188,383</u>
6 months ended 30 June 2019					
Balance at beginning of period	64,000	41,459	105,459	-	105,459
Movements during the period	-	51,086	51,086	-	51,086
Dividend payable	-	-	-	-	-
Dividends paid	-	(32,000)	(32,000)	-	(32,000)
Balance at end of period	<u>64,000</u>	<u>60,545</u>	<u>124,545</u>	<u>-</u>	<u>124,545</u>

(The Condensed Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOW

For the financial quarter ended 30 June 2020

	6 months TO DATE	6 months TO DATE
	30/06/20 (Unaudited) RM'000	30/06/19 (Unaudited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	546,159	523,495
Cash paid to suppliers and employees	(498,683)	(461,705)
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Cash generated from operations	47,476	61,790
Income tax paid	(11,157)	(18,033)
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Net cash generated from/(used in) operating activities	36,319	43,757
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CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(17,660)	(10,416)
Additions of intangible assets	(244)	(57)
Proceeds from disposal of property, plant and equipment	(37)	0
Proceeds from disposal of asset classified as held for sale	-	0
Interest received	335	115
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(17,606)	(10,358)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,475)	(1,668)
Dividends paid	-	(32,000)
Payment of principal portion of lease liabilities	(1,237)	(1,424)
	<hr/>	<hr/>
Net cash used in financing activities	(2,712)	(35,092)
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Net increase/(decrease) in cash and cash equivalents	16,001	(1,693)
Cash and cash equivalents brought forward	44,808	16,937
	<hr/>	<hr/>
Cash and cash equivalents carried forward	60,809	15,244
	<hr/>	<hr/>
Cash and cash equivalents consist of:		
Cash and bank balances	78,404	30,204
Bank overdraft	(17,595)	(14,960)
Deposits placed with licensed banks	-	-
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	60,809	15,244
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(The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019)
(2019 comparative numbers are adjusted to reflect IFRS16 adoption)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)
(Incorporated in Malaysia)

NOTES

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, 'Interim Financial Reporting' in Malaysia and with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent audited financial statements of the Company as at and for the year ended 31 December 2019.

The accounting policies and methods of computation are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2019

2. Auditors' Report of Preceding Annual Financial Statements

The auditors' report of the Company in respect of the annual audited financial statements for the year ended 31 December 2019 was not subject to any audit qualification.

3. Seasonal and Cyclical Factors

The dairy and dairy related business can be influenced by the weather and major festivals.

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

5. Changes in Estimates

There were no changes in estimates of amounts reported in the current quarter or changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

6. Changes in Debt and Equity

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period under review.

7. Segmental Analysis

The Company operates principally in Malaysia and in one major business segment. As such, only one reportable segment analysis is prepared. The Company's Board of Directors (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

	Quarter ended 30/06/20 RM'000	Quarter ended 30/06/19 RM'000
Segment profit		
Revenue	273,524	243,606
Profit After Taxation	21,232	17,190

8. Capital Commitments

	As at 30/06/20 RM'000	As at 30/06/19 RM'000
Property, plant and equipment		
Authorised but not contracted for	29,167	9,812
Contracted but not provided for	62,305	2,814

9. Subsequent Events

There were no material subsequent events that will affect the financial results of the financial period under review.

10. Changes in Composition of the Company

There were no changes in the composition of the Company during the financial period under review.

11. Related Party Transactions

The following are significant related party transactions:-

	Quarter ended 30/06/20 RM'000	Quarter ended 30/06/19 RM'000
Sales to related parties	5,215	5,338
Purchases from related parties	159,512	119,277
Know-how, Trademark License and Management Support fees	8,443	7,521
Shared services from related parties	4,871	5,860

These transactions have been entered into in the normal course of business and have been established under negotiated terms. The significant increase in related party purchases is in line with the volume and revenue growth and increase of global dairy raw material prices that are bought via Friesland Campina's dairy sourcing and trading entity.

12. Review of Results (Against preceding year corresponding period)

RM '000	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Quarter	Comparative Quarter	Changes TY vs LY	6 months To Date	6 months To Date	Changes TY vs LY
	30/06/20	30/06/19	%	30/06/20	30/06/19	%
Revenue	273,524	243,606	12.3%	524,694	508,592	3.2%
Operating Profit	28,672	26,030	10.1%	59,394	70,016	-15.2%
Profit Before Interest and Tax	27,863	25,107	11.0%	57,796	68,310	-15.4%
Profit Before Taxation	28,025	25,161	11.4%	58,131	68,425	-15.0%
Profit After Taxation	21,232	17,190	23.5%	43,966	51,086	-13.9%
Attributable to Ordinary Equity Holders of the parent	21,232	17,190	23.5%	43,966	51,086	-13.9%

The Company recorded 12.3% higher revenue in the second quarter of 2020 versus same quarter in 2019. YTD Q2 revenue growth was 3.2% versus same period last year. Despite the COVID situation the Company has been able to operate at full capacity and as a result has been able to continue to drive its purpose of Nourishing the Malaysian people.

Current quarter Profit before Tax increased by 11.4% mainly driven by higher demand for Dutch Lady products, lower and efficient commercial spend, partially impacted by a negative mix (channel and portfolio) impact and increased global dairy raw material prices.

13. Comments on Material Changes in Profit Before Taxation (Against immediate preceding quarter)

RM '000	Current Quarter	Preceding Quarter	Changes Q2 vs Q1 2020
	30/06/20	31/03/20	%
Revenue	273,524	251,169	8.9%
Operating Profit	28,672	30,720	-6.7%
Profit Before Interest and Tax	27,863	29,931	-6.9%
Profit Before Taxation	28,025	30,105	-6.9%
Profit After Taxation	21,232	22,733	-6.6%
Attributable to Ordinary Equity Holders of the parent	21,232	22,733	-6.6%

The company recorded a revenue growth of 9% driven by in home consumption during the Ramadan period, however profit before tax declined by 7% due to negative mix change (channel and portfolio) impacted by weak food service and out of home business during the period of the Movement Control Order.

14. Business Prospects

A. 2020 Prospects

In the current volatile situation both globally and in Malaysia (due to factors such as the impact of COVID-19), we will stay agile and keep the interest of our consumers and safety of our people at the forefront. The Company will continue to focus increasing the consumption of milk among Malaysian consumers combined with efficiency improvement initiatives throughout the company.

Over the long term, the outlook for the company remains optimistic. The company has good leverage from the strength of its brands, the increasing need and recognition of the goodness and nutritional value of milk, as well as its complementing dairy products amongst Malaysians. The Company will continue to support the local dairy farmers and increase the quantity and quality of local fresh milk.

B. Progress and steps to achieve financial estimate, forecast, projection and internal targets previously announced.

Not applicable.

15. Statement of the Board of Directors' Opinion on Achievability of Financial Estimate, Forecast, Projection and Internal Targets Previously Announced

Not applicable.

16. Financial Estimate, Forecast or Projection / Profit Guarantee

There was no financial estimate, forecast or projection and profit guarantee issued by the Company.

17. Taxation

Taxation is made up as follows: -

	Quarter ended 30/06/20 RM'000	Quarter ended 30/06/19 RM'000
Income tax for current period	7,181	5,837
Deferred tax for current period	(388)	2,134
Total taxation	<u>6,793</u>	<u>7,971</u>

The effective tax rate for the period under review is higher than the statutory tax rate mainly due to certain expenses incurred that was disallowed for tax purposes

18. Deferred Tax Liabilities

	As At 30/06/20 RM'000	As At 30/06/19 RM'000
At 1 January	6,794	6,539
Recognised in the statement of comprehensive income	(280)	150
At period end	<u>6,514</u>	<u>6,689</u>

19. Corporate Proposals

There were no corporate proposals announced during the financial period under review.

20. Company Borrowings

	As at 30/06/20 RM'000	As at 30/06/19 RM'000
Unsecured short term borrowing		
Bank overdraft	<u>17,595</u>	<u>14,960</u>

The Company has drawn down on short term banking facilities to manage seasonal fluctuations of working capital.

21. Material Litigation

There were no material litigations against the Company during the financial period under review.

22. Financial Instruments

Derivatives

The foreign exchange contracts which have been entered into by the Company are as follows:

Forward exchange contracts	As At 30/06/20 RM'000	As At 30/06/19 RM'000
Derivatives held for trading at fair value through profit or loss for US Dollar		
Nominal Value	140,595	137,076
Assets	748	1,004
Liabilities	836	34

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's receivables and payables denominated in currencies other than the functional currencies of the Company's entity. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

23. Earnings Per Share

	Quarter ended 30/06/20	Quarter ended 30/06/19
Basic earnings per share		
Profit for the period (RM'000)	21,232	17,190
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	33.2	26.9

The Company does not issue any financial instrument or other contract that may entitle its holders to ordinary shares and therefore dilute its basic earnings per share.

24. Notes to the Condensed Statement of Comprehensive Income

	Year to-date 30/06/20 RM'000	Year to-date 30/06/19 RM'000
Interest income	335	115
Finance costs		
- Interest expense	(1,475)	(1,670)
- Finance charge from lease	(123)	(36)
Depreciation of property, plant and equipment	(7,925)	(7,735)
Depreciation of rights-of-use assets	(1,189)	(1,448)
Amortisation of intangible assets	(743)	(763)
Write back/(down) of inventories	570	(679)
Gain/(Loss) on disposal of property, plant & equipment	37	-
Net gain/(loss) on derivatives	1,799	1,839
Net foreign exchange gain/(loss)		
- Realised	(1,155)	(3,205)
- Unrealised	271	(235)

By Order of the Board
Katina Nurani Abd Rahim
Company Secretary
24th August 2020

