

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 30 September 2022

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	COMPARATIVE QUARTER	9 months TO DATE	9 months TO DATE
	30/09/22 (Unaudited) RM'000	30/09/21 (Unaudited) RM'000	30/09/22 (Unaudited) RM'000	30/09/21 (Unaudited) RM'000
Revenue	337,768	290,663	977,723	833,155
Cost of Sales	<u>(240,510)</u>	<u>(190,494)</u>	<u>(680,876)</u>	<u>(543,468)</u>
Gross Profit	97,258	100,169	296,847	289,687
Other Income	1,295	1,417	3,739	4,401
Distribution Expenses	(40,309)	(46,191)	(122,326)	(122,935)
Administrative Expenses	(7,731)	(6,838)	(24,654)	(21,787)
Other Operating Expenses	<u>(18,419)</u>	<u>(19,141)</u>	<u>(64,716)</u>	<u>(61,036)</u>
Results from Operating Activities	32,094	29,416	88,890	88,330
Interest Income	242	232	1,079	652
Finance Costs	<u>(957)</u>	<u>(747)</u>	<u>(2,641)</u>	<u>(2,307)</u>
Profit Before Taxation	31,379	28,901	87,328	86,675
Income Tax Expenses	<u>(6,975)</u>	<u>(8,521)</u>	<u>(20,824)</u>	<u>(22,132)</u>
Profit After Taxation	24,404	20,380	66,504	64,543
Other Comprehensive Income	-	-	-	-
Changes in fair value of cash flow hedge				
Deferred tax on fair value of cash flow hedge				
Profit for the period/Total comprehensive income for the period	<u>24,404</u>	<u>20,380</u>	<u>66,504</u>	<u>64,543</u>
Profit Attributable to:				
Equity holders of the Company	24,404	20,380	66,504	64,543
Non-controlling interest	-	-	-	-
	<u>24,404</u>	<u>20,380</u>	<u>66,504</u>	<u>64,543</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>38.10</u>	<u>31.80</u>	<u>103.90</u>	<u>100.80</u>

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION

For the financial quarter ended 30 September 2022

	AS AT 30/09/22 RM'000 (Unaudited)	AS AT 31/12/21 RM'000 (Audited)
ASSETS		
Property, plant and equipment	302,255	206,028
Right-of-use assets	2,069	4,584
Intangible assets	8,625	8,469
TOTAL NON-CURRENT ASSETS	312,949	219,081
Inventories	249,942	161,055
Trade and other receivables	112,667	76,381
Prepayments	44,700	126,157
Cash and cash equivalents	157,786	118,300
Derivatives financial assets	1,273	258
Deferred tax assets		
CURRENT ASSETS	566,368	482,151
Assets classified as held for sale	-	-
TOTAL CURRENT ASSETS	566,368	482,151
TOTAL ASSETS	<u>879,317</u>	<u>701,232</u>
EQUITY		
Share capital	64,000	64,000
Retained profits	369,084	318,580
Attributable to equity holders of the Company	433,084	382,580
Non-controlling interest	-	-
TOTAL EQUITY	433,084	382,580
LIABILITIES		
Lease Liabilities	1,609	6,652
Deferred tax liabilities	6,162	5,968
TOTAL NON-CURRENT LIABILITIES	7,771	12,620
Trade and other payables	422,787	282,795
Provision	151	106
Current tax liabilities	8,416	14,486
Bank overdraft	-	-
Lease Liabilities	7,108	8,487
Derivatives financial liabilities	-	158
CURRENT LIABILITIES	438,462	306,032
TOTAL LIABILITIES	446,233	318,652
TOTAL EQUITY AND LIABILITIES	<u>879,317</u>	<u>701,232</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>6.77</u>	<u>5.98</u>

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITYFor the financial quarter ended 30 September 2022
(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
<u>9 months ended 30 September 2022</u>					
Balance at beginning of period	64,000	318,580	382,580	-	382,580
Movements during the period	-	66,504	66,504	-	66,504
Dividend payable	-	-	-	-	-
Dividends paid	-	(16,000)	(16,000)	-	(16,000)
Balance at end of period	64,000	369,084	433,084	-	433,084
<u>9 months ended 30 September 2021</u>					
Balance at beginning of period	64,000	102,580	166,580	-	166,580
Movements during the period	-	64,543	64,543	-	64,543
Dividend payable	-	-	-	-	-
Dividends paid	-	(16,000)	(16,000)	-	(16,000)
Balance at end of period	64,000	151,123	215,123	-	215,123

(The Condensed Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOW

For the financial quarter ended 30 September 2022

	9 months TO DATE	9 months TO DATE
	30/09/22 (Unaudited) RM'000	30/09/21 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	940,422	837,889
Cash paid to suppliers and employees	(727,030)	(722,082)
	<hr/>	<hr/>
Cash generated from operations	213,392	115,807
Income tax paid	(26,670)	(15,341)
Penalty paid	(30)	
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	186,692	100,466
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(120,548)	(18,475)
Additions of intangible assets	(2,674)	(251)
Proceeds from disposal of property, plant and equipment	-	0
Proceeds from disposal of asset classified as held for sale	-	0
Interest received	1,079	652
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(122,143)	(18,074)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,456)	(2,199)
Dividends paid	(16,000)	(16,000)
Payment of principal portion of lease liabilities	(6,607)	(2,362)
	<hr/>	<hr/>
Net cash used in financing activities	(25,063)	(20,561)
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Net increase/(decrease) in cash and cash equivalents	39,486	61,831
Cash and cash equivalents brought forward	118,300	38,900
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Cash and cash equivalents carried forward	157,786	100,731
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Cash and cash equivalents consist of:		
Cash and bank balances	157,786	100,731
Bank overdraft	-	0
Deposits placed with licensed banks	-	-
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	157,786	100,731
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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 2021)

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 2021.

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 2021.

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 2021 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

Pursuant to the Company's announced investment in our future manufacturing activities, DLMI has identified assets in its Petaling Jaya factory that will not be transitioned to the new site. In light of this, DLMI has implemented accelerated depreciation for the mentioned assets at the start of 2021 financial year.

Other than the afore mentioned, there were no other 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 30/09/22 RM'000	Quarter ended 30/09/21 RM'000
Segment profit		
Revenue	337,768	290,663
Profit After Taxation	24,404	20,380

8. **Capital Commitments**

	As at 30/09/22 RM'000	As at 30/09/21 RM'000
Property, plant and equipment		
Authorised but not contracted for	224,595	309,200
Contracted but not provided for	217,103	12,793

9. **Subsequent Events**

DLMI is in the process of completing the first Bilateral Advance Pricing Arrangement (BAPA) between the competent authorities of The Netherlands and Malaysia. This arrangement covers the years 2018 to 2022. The effects of the BAPA are anticipated to be reflected in the 2022 financial results.

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 30/09/22 RM'000	Quarter ended 30/09/21 RM'000
Sales to related parties	6,958	5,177
Purchases from related parties	158,955	126,932
Know-how, Trademark License and Management Support fees	7,900	6,604
Shared services from related parties	4,717	4,516

These transactions have been entered into in the normal course of business and have been established at arm's length.

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

RM '000	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Quarter	Comparative Quarter	Changes TY vs LY	9 months To Date	9 months To Date	Changes TY vs LY
	30/09/22	30/09/21	%	30/09/22	30/09/21	%
Revenue	337,768	290,663	16.2%	977,723	833,155	17.4%
Operating Profit (exclude Accelerated Depreciation)	36,315	31,220	16.3%	101,434	97,197	4.4%
Operating Profit	32,094	29,416	9.1%	88,890	88,330	0.6%
Profit Before Interest and Tax	31,137	28,669	8.6%	86,249	86,023	0.3%
Profit Before Taxation	31,379	28,901	8.6%	87,328	86,675	0.8%
Profit After Taxation	24,404	20,380	19.7%	66,504	64,543	3.0%
Attributable to Ordinary Equity Holders of the parent	24,404	20,380	19.7%	66,504	64,543	3.0%

The Company recorded a revenue growth of 16.2% versus Q3'21, mainly driven by continued strong demand for milk as an essential product and necessary price increases to offset strong inflationary headwinds. Despite the continued COVID challenges, the Company has been able to operate at full capacity and drive the penetration of milk consumption with occasions and affordability, continuing its purpose of Nourishing the Nation with trusted dairy nutrition.

Operating Profit (excluding accelerated depreciation) in the quarter increased 16.3%, where higher demand for Dutch Lady products, higher sales prices and strong cost management actions were partially offset by escalating prices for global dairy raw materials and negative foreign exchange results due to weakening MYR vs USD.

In line with the announced investment in our future manufacturing activities, DLMI continued the accelerated depreciation of its assets in the Petaling Jaya factory that cannot be transitioned to the new site. Reported Operating Profit was therefore reduced by this accelerated depreciation, but still growing 9.1%.

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

RM '000	Current Quarter	Preceding Quarter	Changes Q3 vs Q2
	30/09/22	30/06/2022	%
Revenue	337,768	340,090	-0.7%
Operating Profit (exclude Accelerated Depreciation)	36,315	32,933	10.3%
Operating Profit	32,094	28,963	10.8%
Profit Before Interest and Tax	31,137	28,115	10.7%
Profit Before Taxation	31,379	28,523	10.0%
Profit After Taxation	24,404	21,531	13.3%
Attributable to Ordinary Equity Holders of the parent	24,404	21,531	13.3%

The Company recorded slightly lower revenue (-0.7%) versus Q2'22 where continued strong demand for liquid milk is more than offset by the positive effect from the Ramadhan period in the previous quarter.

Operating profit (excluding accelerated depreciation) in the quarter increased by 10.3% in line with continued strong demand for Dutch Lady products and strong cost management actions which is partly offset by escalating purchase prices of global dairy raw materials and negative foreign exchange results due to weakening MYR vs USD.

Reported Profit after tax rose by 13.3 % in line with beforementioned comments.

14. Business Prospects

A. 2022 Prospects

The market remains volatile and is subject to various domestic and global uncertainties and challenges, foreign exchange rate fluctuations and potential regulatory changes. The global dairy prices are at historically very high levels and are expected to remain at this level for the rest of 2022 resulting in unprecedented inflationary headwinds.

DLMI will stay focused on its purpose of 'Nourishing our Planet and People in Every Stage of Life'. In order to deliver on this purpose healthy gross margins are essential in order to continue to invest behind its brands and people. These assets will drive long term engagement with DLMI as an employer of choice and continue to increase penetration of milk.

DLMI is determined to invest in Malaysia even in these trying times. DLMI plans to invest RM600 million, an increase from the previously announced RM400 million, between the years 2021 and 2025 for our future manufacturing activities, which is progressing well. The increase is mainly due to unprecedented inflation which has significantly increased the cost of materials, fuel and labour, as well as the inclusion of additional capital expenditure items. DLMI will continue to focus on optimizing the Company's cashflow to battle the inflationary headwinds and secure internal financing for the new manufacturing facilities.

Over the long term, the outlook for DLMI remains positive due to the strength of its brands, and the increasing need and recognition of the goodness and nutritional value of milk 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 30/09/22 RM'000	Quarter ended 30/09/21 RM'000
Income tax for current period	6,085	7,793
Income tax for prior period	(1,176)	-
Deferred tax for current period	2,036	728
Penalty	30	-
Total taxation	<u>6,975</u>	<u>8,521</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/(Assets)

	As At 30/09/22 RM'000	As At 30/09/21 RM'000
At 1 January	5,968	4,494
Recognised in the statement of comprehensive income	194	(2,358)
At period end	<u>6,162</u>	<u>2,136</u>

19. Corporate Proposals

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

20. Company Borrowings

	As at 30/09/22 RM'000	As at 30/09/21 RM'000
Unsecured short term borrowing		
Bank overdraft	<u>-</u>	<u>-</u>

The Company has sufficient cash to support the seasonal fluctuations of its working capital needs and hence has fully repaid the short-term banking facilities.

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 30/09/22 RM'000	As At 30/09/21 RM'000
Derivatives held for trading at fair value through profit or loss for US Dollar		
Nominal Value	81,966	109,312
Assets	1,273	318
Liabilities	-	-

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 30/09/22	Quarter ended 30/09/21
Basic earnings per share		
Profit for the period (RM'000)	24,404	20,380
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	38.10	31.80

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

24. Proposed Dividend

On 15 November 2022, the Company has declared a standard single-tier second interim dividend of RM0.25 per share amounting to RM16 million in respect of the financial year ending 31 December 2022.

All shareholders whose names appear on the Record of Depositors on 30 November 2022 shall be paid the above dividends on 13 December 2022.

A Depositor shall qualify for entitlement only in respect of:-

- a) Securities transferred to the Depositor's Securities Account before 5.00pm on 30 November 2022, in respect of ordinary transfers; and
- b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

25. Notes to the Condensed Statement of Comprehensive Income

	Year to-date 30/09/22 RM'000	Year to-date 30/09/21 RM'000
Interest income	1,079	652
Finance costs		
- Interest expense	(2,455)	(2,199)
- Finance charge from lease	(185)	(108)
Depreciation of property, plant and equipment	(13,200)	(17,486)
Accelerated depreciation of property, plant and equipment	(10,421)	(8,114)
Depreciation of rights-of-use assets	(2,014)	(2,410)
Amortisation of intangible assets	(245)	(185)
Write (down)/back of inventories	490	411
Gain/(Loss) on disposal of property, plant & equipment	-	(15)
Gain/(Loss) on written off of property, plant & equipment	-	-
Net gain/(loss) on derivatives	(121)	1,718
Net foreign exchange gain/(loss)		
- Realised	3,315	296
- Unrealised	(1,364)	332

By Order of the Board
Katina Nurani Abd Rahim
Company Secretary
15th November 2022