

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 31 December 2022

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	COMPARATIVE QUARTER	12 months TO DATE	12 months TO DATE
	31/12/22 (Unaudited) RM'000	31/12/21 (Unaudited) RM'000	31/12/22 (Unaudited) RM'000	31/12/21 (Unaudited) RM'000
Revenue	361,687	300,396	1,339,410	1,133,733
Cost of Sales	<u>(303,017)</u>	<u>(190,380)</u>	<u>(983,893)</u>	<u>(734,030)</u>
Gross Profit	58,670	110,016	355,517	399,703
Other Income	823	155,269	4,562	162,612
Distribution Expenses	(42,037)	(36,338)	(164,363)	(159,273)
Administrative Expenses	(25,414)	(6,243)	(50,068)	(28,030)
Other Operating Expenses	<u>(24,507)</u>	<u>(24,551)</u>	<u>(89,223)</u>	<u>(88,530)</u>
Results from Operating Activities	(32,465)	198,153	56,425	286,482
Interest Income	715	764	1,794	1,417
Finance Costs	<u>(1,019)</u>	<u>(1,066)</u>	<u>(3,660)</u>	<u>(3,374)</u>
Profit Before Taxation	(32,769)	197,851	54,559	284,525
Income Tax Expenses	<u>12,536</u>	<u>(14,393)</u>	<u>(8,288)</u>	<u>(36,525)</u>
Profit After Taxation	(20,233)	183,458	46,271	248,000
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>(20,233)</u>	<u>183,458</u>	<u>46,271</u>	<u>248,000</u>
Profit Attributable to:				
Equity holders of the Company	(20,233)	183,458	46,271	248,000
Non-controlling interest	-	-	-	-
	<u>(20,233)</u>	<u>183,458</u>	<u>46,271</u>	<u>248,000</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>(31.60)</u>	<u>286.70</u>	<u>72.30</u>	<u>387.50</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 31 December 2022

	AS AT 31/12/22 RM'000 (Unaudited)	AS AT 31/12/21 RM'000 (Audited)
ASSETS		
Property, plant and equipment	344,202	206,028
Right-of-use assets	3,046	4,584
Intangible assets	13,181	8,469
TOTAL NON-CURRENT ASSETS	360,429	219,081
Inventories	228,882	161,055
Trade and other receivables	97,708	76,381
Prepayments	45,887	126,157
Current tax receivable	6,327	-
Cash and cash equivalents	104,941	118,300
Derivatives financial assets	-	258
Deferred tax assets		
CURRENT ASSETS	483,745	482,151
Assets classified as held for sale	-	-
TOTAL CURRENT ASSETS	483,745	482,151
TOTAL ASSETS	844,174	701,232
EQUITY		
Share capital	64,000	64,000
Retained profits	332,851	318,580
Attributable to equity holders of the Company	396,851	382,580
Non-controlling interest	-	-
TOTAL EQUITY	396,851	382,580
LIABILITIES		
Lease Liabilities	2,093	6,652
Deferred tax liabilities	2,322	5,968
Provision	9,201	-
TOTAL NON-CURRENT LIABILITIES	13,616	12,620
Trade and other payables	413,688	282,795
Provision	8,710	106
Current tax liabilities	-	14,486
Bank overdraft	-	-
Lease Liabilities	6,498	8,487
Derivatives financial liabilities	4,811	158
CURRENT LIABILITIES	433,707	306,032
TOTAL LIABILITIES	447,323	318,652
TOTAL EQUITY AND LIABILITIES	844,174	701,232
Net assets per share attributable to ordinary equity holders of the Company (RM)	6.20	5.98

(The Condensed Statement of Financial Position 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 CHANGES IN EQUITYFor the financial quarter ended 31 December 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>12 months ended 30 September 2022</u>					
Balance at beginning of period	64,000	318,580	382,580	-	382,580
Movements during the period	-	46,271	46,271	-	46,271
Dividend payable	-	-	-	-	-
Dividends paid	-	(32,000)	(32,000)	-	(32,000)
Balance at end of period	64,000	332,851	396,851	-	396,851
<u>12 months ended 30 September 2021</u>					
Balance at beginning of period	64,000	102,580	166,580	-	166,580
Movements during the period	-	248,000	248,000	-	248,000
Dividend payable	-	-	-	-	-
Dividends paid	-	(32,000)	(32,000)	-	(32,000)
Balance at end of period	64,000	318,580	382,580	-	382,580

(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 31 December 2022

	12 months TO DATE	12 months TO DATE
	31/12/22 (Unaudited) RM'000	31/12/21 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	1,318,341	1,138,597
Cash paid to suppliers and employees	(1,082,755)	(1,126,132)
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Cash generated from operations	235,586	12,465
Income tax paid	(32,748)	(27,288)
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Net cash generated from/(used in) operating activities	202,838	(14,823)
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CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(168,789)	(53,922)
Additions of intangible assets	(5,020)	(7,770)
Proceeds from disposal of property, plant and equipment	-	194,001
Proceeds from disposal of asset classified as held for sale	-	0
Interest received	1,794	1,417
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(172,015)	133,726
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(3,405)	(2,853)
Dividends paid	(32,000)	(32,000)
Payment of principal portion of lease liabilities	(8,778)	(4,650)
	<hr/>	<hr/>
Net cash used in financing activities	(44,183)	(39,503)
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Net increase/(decrease) in cash and cash equivalents	(13,360)	79,400
Cash and cash equivalents brought forward	118,300	38,900
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Cash and cash equivalents carried forward	104,940	118,300
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents consist of:		
Cash and bank balances	104,941	118,300
Bank overdraft	-	0
Deposits placed with licensed banks	-	-
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	104,941	118,300
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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 affecting Assets, Liabilities, Equity, Net Income or Cash Flows

On 29 November 2022, DLMI announced the optimisation of its dairy production operations. The Company will be discontinuing its milk powder operations with the targeted date of discontinuation on 31 May 2023. The continued availability of its milk powder products for the Malaysian market, however, will not be impacted as DLMI will source these products from the FrieslandCampina network and continue to provide for the Malaysian market needs. DLMI will also be discontinuing the production of some of its other lines in phases over the next two years in the intended optimisation exercise. In relation to this decision, one-off restructuring costs of RM17.9 million have been booked during the financial period.

The Company has also entered into the first Bilateral Advanced Pricing Arrangement ("BAPA") between the competent authorities of Malaysia and The Netherlands with regards to certain related party transactions which covers the years 2018 to 2022. As a consequence, the Company incurred additional one-off costs related to 2018 to 2021 amounting to RM25 million in Q4 2022.

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, continuing into 2022.

The restructuring provision for announced optimisation of its dairy production operations and signing of Bilateral Advance Pricing Arrangement (BAPA) for the years 2018-2022 were reflected in the 2022 financial results.

Other than the aforementioned, 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 31/12/22 RM'000	Quarter ended 31/12/21 RM'000
Segment profit		
Revenue	361,687	300,396
Profit/(loss) After Taxation	(20,233)	183,458

8. **Capital Commitments**

	As at 31/12/22 RM'000	As at 31/12/21 RM'000
Property, plant and equipment		
Authorised but not contracted for	191,290	352,334
Contracted but not provided for	195,600	87,859

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 31/12/22 RM'000	Quarter ended 31/12/21 RM'000
Sales to related parties	7,304	5,144
Purchases from related parties	201,148	92,682
Know-how, Trademark License and Management Support fees	48,418	7,355
Shared services from related parties	6,176	5,531
Advance payment to related parties*	44,772	125,670

These transactions have been entered into in the normal course of business and have been established at arm's length. The significant increase in related party purchases is in line with the volume and revenue growth and is driven by the purchase of fully packed dairy products and raw materials. In addition, the one-off payment related to BAPA has also contributed to the significant increase.

*Prepayment to related company represents advance payments made for future raw materials purchases.

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

RM '000	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Quarter	Comparative Quarter	Changes TY vs LY	12 months To Date	12 months To Date	Changes TY vs LY
	31/12/22	31/12/21	%	31/12/22	31/12/21	%
Revenue	361,687	300,396	20.4%	1,339,410	1,133,733	18.1%
Operating Profit (exclude Accelerated Depreciation and one offs*)	12,749	47,748	-73.3%	114,184	144,944	-21.2%
Operating Profit	(32,465)	198,153	-116.4%	56,425	286,482	-80.3%
Profit Before Interest and Tax	(33,484)	197,087	-117.0%	52,765	283,108	-81.4%
Profit Before Taxation	(32,769)	197,851	-116.6%	54,559	284,525	-80.8%
Profit After Taxation	(20,233)	183,458	-111.0%	46,271	248,000	-81.3%
Attributable to Ordinary Equity Holders of the parent	(20,233)	183,458	-111.0%	46,271	248,000	-81.3%

*One off items include a gain of RM155 million from the sale of land in Q4 2021, impact of 2018-2021 BAPA correction of RM25 million in Q4 2022 and restructuring provision related to the optimisation of operations announced in November 2022 of RM17.9 million in Q4 2022.

Our full year revenue for the first time passed the RM1.3 Billion mark in 2022 driven by volume growth and winning in the market with growing share. In the current quarter, volume grew by 9.4% and revenue 20.4% compared to the same quarter in 2021 mainly driven by continued strong demand for milk as an essential nutrition 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.

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 of an additional RM2.3m.

Profit before tax in current quarter landed at a negative RM32.8 million, from RM197.9 million in 2021. This decline is largely attributable to the gain of RM155 million in 2021 related to the disposal of manufacturing land and buildings and lease-back of our current production facility in Petaling Jaya. In the current quarter, one-off restructuring costs related to the announced optimisation of its dairy production operations in Petaling Jaya of RM17.9 million were incurred. In addition, the first Bilateral Advanced Pricing Arrangement ("BAPA") between the competent authorities of Malaysia and The Netherlands with regards to certain related party transactions was finalised in 2022. This arrangement covers the years 2018 to 2022. Hence, in 2022, DLMI has booked the retrospective impact from 2018 to 2021 which amounts to RM25 million.

On a like for-like-basis Operating Profit excluding accelerated depreciation and one-off items is RM12.7 million, a decline of 73% versus the same quarter in 2021 mainly driven by the unprecedented increase in the cost of raw materials and impacts of exchange rates.

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

RM '000	Current Quarter	Preceding Quarter	Changes Q1 vs Q4
	31/12/22	30/09/2022	%
Revenue	361,687	337,768	7.1%
Operating Profit (exclude Accelerated Depreciation and one offs*)	12,749	36,315	-64.9%
Operating Profit	(32,465)	32,094	-201.2%
Profit Before Interest and Tax	(33,484)	31,137	-207.5%
Profit Before Taxation	(32,769)	31,379	-204.4%
Profit After Taxation	(20,233)	24,404	-182.9%
Attributable to Ordinary Equity Holders of the parent	(20,233)	24,404	-182.9%

*One off items include a gain of RM155 million from the sale of land in Q4 2021, impact of 2018-2021 BAPA correction of RM25 million in Q4 2022 and restructuring provision related to the optimisation of operations announced in November 2022 of RM17.9 million in Q4 2022.

Revenue increases by 7.1% versus Q3'22 mainly driven by upside in volume and positive product mix with continued strong demand for liquid milk.

Profit before tax (excluding accelerated depreciation) in the quarter decreased by 204.4% due to one-off restructuring costs related to the announced optimisation of its dairy production operations in Petaling Jaya and BAPA impact from 2018 to 2021 and was further impacted by exchange rate headwinds. Reported Profit after tax decreased by 182.9% in line with beforementioned comments.

On a like for-like-basis Operating Profit excluding accelerated depreciation and one-off items is RM12.7 million a decline of 64.9% versus the last quarter mainly driven by the unprecedented increase in the cost of raw materials and impacts of exchange rate.

14. Business Prospects

A. 2023 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 still at high levels, although there may be some easing in pricing in the months ahead. At the same time global inflationary headwinds persist.

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 31/12/22 RM'000	Quarter ended 31/12/21 RM'000
Income tax for current period	(2,703)	17,036
Income tax for prior period	(10,252)	(6,475)
Deferred tax for current period	419	3,832
Total taxation	<u>(12,536)</u>	<u>14,393</u>

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

18. Deferred Tax Liabilities/(Assets)

	As At 31/12/22 RM'000	As At 31/12/21 RM'000
At 1 January	5,968	4,494
Recognised in the statement of comprehensive income	<u>(3,646)</u>	<u>(1,474)</u>
At period end	<u>2,322</u>	<u>5,968</u>

19. Corporate Proposals

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

20. Company Borrowings

	As at 31/12/22 RM'000	As at 31/12/21 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 31/12/22 RM'000	As At 31/12/21 RM'000
Derivatives held for trading at fair value through profit or loss for US Dollar		
Nominal Value	109,765	(100)
Assets	-	258
Liabilities	4,811	158

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 31/12/22	Quarter ended 31/12/21
Basic earnings per share		
Profit (Loss) for the period (RM'000)	(20,233)	183,458
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	(31.60)	286.70

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. Notes to the Condensed Statement of Comprehensive Income

	Year to-date 31/12/22 RM'000	Year to-date 31/12/21 RM'000
Interest income	1,794	1,417
Finance costs		
- Interest expense	(3,406)	(2,853)
- Finance charge from lease	(255)	(521)
Depreciation of property, plant and equipment	(17,575)	(18,456)
Accelerated depreciation of property, plant and equipment	(13,022)	(15,037)
Depreciation of rights-of-use assets	(3,507)	(3,295)
Amortisation of intangible assets	(326)	(258)
Write (down)/back of inventories	1,229	(1,163)
Gain/(Loss) on disposal of property, plant & equipment	-	24,159
Gain/(Loss) arising from sale and leaseback transaction	(1,786)	129,725
Gain/(Loss) on written off of property, plant & equipment	-	-
Net gain/(loss) on derivatives	(4,911)	1,814
Net foreign exchange gain/(loss)		
- Realised	3,672	760
- Unrealised	887	514

By Order of the Board
Katina Nurani Abd Rahim
Company Secretary
24 February 2023