

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 30 September 2023

	INDIVIDUAL QUARTER CURRENT QUARTER	COMPARATIVE QUARTER	CUMULATIVE QUARTER 9 months TO DATE	9 months TO DATE
	30/09/23 (Unaudited) RM'000	30/09/22 (Unaudited) RM'000	30/09/23 (Unaudited) RM'000	30/09/22 (Unaudited) RM'000
Revenue	372,785	337,768	1,078,292	977,723
Cost of Sales	<u>(256,913)</u>	<u>(240,510)</u>	<u>(767,789)</u>	<u>(680,876)</u>
Gross Profit	115,872	97,258	310,503	296,847
Other Income	639	1,295	940	3,739
Distribution Expenses	(46,713)	(40,309)	(136,550)	(122,326)
Administrative Expenses	(8,722)	(7,731)	(26,731)	(24,654)
Other Operating Expenses	<u>(34,933)</u>	<u>(18,419)</u>	<u>(75,310)</u>	<u>(64,716)</u>
Results from Operating Activities	26,143	32,094	72,852	88,890
Interest Income	248	242	726	1,079
Finance Costs	<u>(1,082)</u>	<u>(957)</u>	<u>(3,306)</u>	<u>(2,641)</u>
Profit Before Taxation	25,309	31,379	70,272	87,328
Income Tax Expenses	<u>(8,515)</u>	<u>(6,975)</u>	<u>(20,706)</u>	<u>(20,824)</u>
Profit After Taxation	16,794	24,404	49,566	66,504
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>16,794</u>	<u>24,404</u>	<u>49,566</u>	<u>66,504</u>
Profit Attributable to:				
Equity holders of the Company	16,794	24,404	49,566	66,504
Non-controlling interest	-	-	-	-
	<u>16,794</u>	<u>24,404</u>	<u>49,566</u>	<u>66,504</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>26.20</u>	<u>38.10</u>	<u>77.40</u>	<u>103.90</u>

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION

For the financial quarter ended 30 September 2023

	AS AT 30/09/23 RM'000 (Unaudited)	AS AT 31/12/22 RM'000 (Audited)
ASSETS		
Property, plant and equipment	415,042	344,202
Right-of-use assets	9,852	3,046
Intangible assets	32,960	13,181
TOTAL NON-CURRENT ASSETS	457,854	360,429
Inventories	209,072	228,882
Trade and other receivables	128,503	97,708
Prepayments	3,879	45,887
Current tax receivable	842	6,327
Cash and cash equivalents	117,536	104,941
Derivatives financial assets	5,154	-
Deferred tax assets		
CURRENT ASSETS	464,986	483,745
Assets classified as held for sale	380	-
TOTAL CURRENT ASSETS	465,366	483,745
TOTAL ASSETS	923,220	844,174
EQUITY		
Share capital	64,000	64,000
Retained profits	366,417	332,851
Attributable to equity holders of the Company	430,417	396,851
Non-controlling interest	-	-
TOTAL EQUITY	430,417	396,851
LIABILITIES		
Lease Liabilities	4,620	2,093
Deferred tax liabilities	1,824	2,322
Provision	11,076	9,201
TOTAL NON-CURRENT LIABILITIES	17,520	13,616
Trade and other payables	466,142	413,688
Provision	718	8,710
Current tax liabilities	-	-
Bank overdraft	-	-
Lease Liabilities	8,423	6,498
Derivatives financial liabilities	-	4,811
CURRENT LIABILITIES	475,283	433,707
TOTAL LIABILITIES	492,803	447,323
TOTAL EQUITY AND LIABILITIES	923,220	844,174
Net assets per share attributable to ordinary equity holders of the Company (RM)	6.73	6.20

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITYFor the financial quarter ended 30 September 2023
(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
9 months ended 30th September 2023					
Balance at beginning of period	64,000	332,851	396,851	-	396,851
Movements during the period	-	49,566	49,566	-	49,566
Dividend payable	-	-	-	-	-
Dividends paid	-	(16,000)	(16,000)	-	(16,000)
Balance at end of period	<u>64,000</u>	<u>366,417</u>	<u>430,417</u>	<u>-</u>	<u>430,417</u>
9 months ended 30th September 2022					
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	<u>64,000</u>	<u>369,084</u>	<u>433,084</u>	<u>-</u>	<u>433,084</u>

(The Condensed Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022)

DUTCH LADY MILK INDUSTRIES BERHAD (5063-V)

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOW

For the financial quarter ended 30 September 2023

	9 months TO DATE	9 months TO DATE
	30/09/23 (Unaudited) RM'000	30/09/22 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	1,042,343	940,422
Cash paid to suppliers and employees	(877,812)	(727,030)
	<hr/>	<hr/>
Cash generated from operations	164,531	213,392
Income tax paid	(15,719)	(26,670)
Penalty paid		(30)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	148,812	186,692
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(91,172)	(120,548)
Additions of intangible assets	(19,988)	(2,674)
Assets classified as held for sale	(380)	0
Proceeds from disposal of property, plant and equipment	-	0
Proceeds from disposal of asset classified as held for sale	-	0
Interest received	726	1,079
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(110,814)	(122,143)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(3,051)	(2,456)
Dividends paid	(16,000)	(16,000)
Payment of principal portion of lease liabilities	(6,352)	(6,607)
	<hr/>	<hr/>
Net cash used in financing activities	(25,403)	(25,063)
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Net increase/(decrease) in cash and cash equivalents	12,595	39,486
Cash and cash equivalents brought forward	104,941	118,300
	<hr/>	<hr/>
Cash and cash equivalents carried forward	117,536	157,786
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Cash and cash equivalents consist of:		
Cash and bank balances	117,536	157,786
Bank overdraft	-	0
Deposits placed with licensed banks	-	-
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	117,536	157,786
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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 2022)

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 2022.

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 2022.

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 2022 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

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, continuing into 2022 and 2023.

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 reviews internal management reports at least on a quarterly basis.

	Quarter ended 30/09/23 RM'000	Quarter ended 30/09/22 RM'000
Segment profit		
Revenue	372,785	337,768
Profit/(loss) After Taxation	16,792	24,404

8. Capital Commitments

	As at 30/09/23 RM'000	As at 30/09/22 RM'000
Property, plant and equipment		
Authorised but not contracted for	207,202	224,595
Contracted but not provided for	94,134	217,103

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 30/09/23 RM'000	Quarter ended 30/09/22 RM'000
Sales to related parties	433	6,958
Purchases from related parties	149,525	158,955
Know-how, Trademark License and Management Support fees	6,638	7,900
Shared services from related parties	4,533	4,717
Advance payment to related parties	-	-

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
	30/09/23	30/09/22	%	30/09/23	30/09/22	%
Revenue	372,785	337,768	10.4%	1,078,292	977,723	10.3%
Operating Profit (exclude Accelerated Depreciation and one-offs)	44,442	36,315	22.4%	100,049	101,434	-1.4%
Operating Profit	26,141	32,094	-18.5%	72,852	88,890	-18.0%
Profit Before Interest and Tax	25,059	31,137	-19.5%	69,546	86,249	-19.4%
Profit Before Taxation	25,307	31,379	-19.4%	70,272	87,328	-19.5%
Profit After Taxation	16,792	24,404	-31.2%	49,566	66,504	-25.5%
Attributable to Ordinary Equity Holders of the parent	16,792	24,404	-31.2%	49,566	66,504	-25.5%

*Accelerated depreciation and transition-related one-off in Q3 2023: RM18.3 million; Q3 2022: RM4.2 million

The company recorded a revenue growth of 10.4% this quarter compared to the same quarter last year, driven by continued strong demand for dairy products and accompanied by selective price increases earlier in the year to offset the impact of inflationary challenges. DLMI continues its investments in the Dairy Market as a market leader and ensure affordability by strategic pricing, staying committed to its purpose of Nourishing Our Planet and People in Every Stage of Life.

On a like for-like-basis Operating Profit excluding accelerated depreciation and one-offs is RM44.4 million, meaning a 22.4% increase versus the same quarter in 2022. This increase is mainly driven by softening costs of dairy raw materials in Q3 2023 vs Q3 2022, as well as the implementation of cost optimization and revenue growth management measures to offset the devaluation of the Malaysian Ringgit especially against the USD.

In line with the earlier 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. As the construction of the state-of-the-art IR4.0 manufacturing facility in Bandar Enstek progresses, other one-off operating costs related to activities for the construction and transition towards the new site are incurred. These costs for accelerated depreciation and one-offs are included in the reported Operating Profit amounting to RM18.3 million. These one-off results negatively impact the Operating profit which declined by 18.5% (RM6.0 million) vs. Q3 2022.

Profit Before Taxation in the current quarter landed at a RM25.3 million (-19.4%) versus RM31.4 million in 2022, whereas Profit After Taxation was lower by 31.2% versus Q3 2022 at RM24.4 million. This includes a tax phasing correction over 2022, related to the treatment of provision for restructuring costs taken in 2022, negatively impacting Net Profit in Q3 2023 by RM3.1 million.

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

RM '000	Current Quarter	Preceding Quarter	Changes Q2 vs Q3
	30/09/23	30/06/2023	%
Revenue	372,785	351,193	6.1%
Operating Profit (exclude Accelerated Depreciation and one-offs)	44,442	37,749	17.7%
Operating Profit	26,141	33,919	-22.9%
Profit Before Interest and Tax	25,059	32,768	-23.5%
Profit Before Taxation	25,307	32,979	-23.3%
Profit After Taxation	16,792	24,255	-30.8%
Attributable to Ordinary Equity Holders of the parent	16,792	24,255	-30.8%

*Accelerated depreciation and transition-related one-off in Q3 2023: RM18.3 million; Q3 2022: RM3.8 million

The company's revenue for the current period improved (+6.1%) compared to the previous quarter, driven by volume growth upon strengthening demand for our products.

Operating profit (excluding Accelerated depreciation and one-offs) increased 17.7% (RM6.7 million) vs Q2 2023, due to softening prices of dairy raw materials, although remaining at elevated levels partially driven by the weakening exchange rate of the Malaysian Ringgit against the USD. The effect of a favorable product mix, selective price increases, strong cost management actions and continued strong demand for our dairy products also contributed to the positive development in Operating Profit (excluding Accelerated Depreciation and one-offs).

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. As the progress of construction of the state-of-the-art IR4.0 manufacturing facility in Bandar Enstek progresses, other one-off operating costs related to activities for the construction and transition towards the new site are incurred. These costs for accelerated depreciation and one-offs amount to RM18.3 million and negatively impact the reported Operating profit which declined by 22.9% (RM7.8 million) vs Q2 2023.

Profit Before Taxation in the quarter decreased by RM7.7 million to RM25.3 million as a result of the above-mentioned drivers, whereas Profit After Taxation decreased by RM7.5 million to RM16.8 million.

This includes a tax phasing correction over 2022, related mainly to the treatment of the provision for restructuring costs taken in 2022, negatively impacting Net Profit in Q3 2023 by RM3.1 million.

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 expected to soften further in the remainder of 2023.

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 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 is investing RM540 million, between the years 2021 and 2025 for our future manufacturing activities, which is progressing well.

DLMI will continue to focus on optimizing the Company's cashflow to battle the current inflationary headwinds and secure internal financing for building and transitioning to the new manufacturing facilities.

DLMI is employing cash generated from its operations and working capital to fund the Property, Plant & Equipment (PPE) investments into the new production facility at Bandar Enstek. Should there be any short-term shortfall in working capital, the Company has sufficient committed undrawn overdraft facilities and an inter-company credit facility that can be utilised.

Over the long term, the outlook for DLMI remains cautiously optimistic due to the strength of our brands, and the increasing need for 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 30/09/23 RM'000	Quarter ended 30/09/22 RM'000
Income tax for current period	5,485	6,085
Income tax for prior period	3,123	(1,176)
Deferred tax for current period	(93)	2,036
Penalty	-	30
Total taxation	<u>8,515</u>	<u>6,975</u>

The effective tax rate for the given period has increased due to the inclusion of non-deductible expenses related to the new production facility in Bandar Enstek.

18. Deferred Tax Liabilities/(Assets)

	As At 30/09/23 RM'000	As At 30/09/22 RM'000
At 1 January	2,322	5,968
Recognised in the statement of comprehensive income	(498)	194
At period end	<u>1,824</u>	<u>6,162</u>

19. Corporate Proposals

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

20. Company Borrowings

	As at 30/09/23 RM'000	As at 30/09/22 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 30/09/23 RM'000	As At 30/09/22 RM'000
Derivatives held for trading at fair value through profit or loss for US Dollar		
Nominal Value	104,764	81,966
Assets	5,154	1,273
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 30/09/23	Quarter ended 30/09/22
Basic earnings per share		
Profit for the period (RM'000)	16,794	24,404
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	26.20	38.10

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 24 August 2023, 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 2023.

All shareholders whose names appear on the Record of Depositors on 7 December 2023 shall be paid the above dividends on 14 December 2023.

A Depositor shall qualify for entitlement only in respect of:

- a) Securities transferred to the Depositor's Securities Account before 5.00pm on 7 December 2023, 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 30/09/23 RM'000	Year to-date 30/09/22 RM'000
Interest income	726	1,079
Finance costs		
- Interest expense	(2,937)	(2,455)
- Finance charge from lease	(369)	(185)
Depreciation of property, plant and equipment	(11,184)	(13,200)
Accelerated depreciation of property, plant and equipment	(9,149)	(10,421)
Depreciation of rights-of-use assets	(3,742)	(2,014)
Amortisation of intangible assets	(209)	(245)
Write (down)/back of inventories*	38	490
Gain/(Loss) on disposal of property, plant & equipment	-	-
Gain/(Loss) arising from sale and leaseback transaction	-	-
Gain/(Loss) on written off of property, plant & equipment	(317)	-
Net gain/(loss) on derivatives	9,965	(121)
Net foreign exchange gain/(loss)		
- Realised	6,328	3,315
- Unrealised	(1,093)	(1,364)

*Inventory Revaluation

By Order of the Board
Katina Nurani Abd Rahim
Company Secretary
22nd November 2023