

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 30 September 2020

	INDIVIDUAL QUARTER CURRENT QUARTER	COMPARATIVE QUARTER	CUMULATIVE QUARTER 9 months TO DATE	9 months TO DATE
	30/09/20 (Unaudited) RM'000	30/09/19 (Unaudited) RM'000	30/09/20 (Unaudited) RM'000	30/09/19 (Unaudited) RM'000
Revenue	286,820	276,313	811,514	784,905
Cost of Sales	<u>(203,576)</u>	<u>(177,754)</u>	<u>(552,545)</u>	<u>(486,925)</u>
Gross Profit	83,244	98,559	258,969	297,980
Other Income	-	1,170	6,514	3,010
Distribution Expenses	(42,140)	(40,568)	(113,378)	(121,432)
Administrative Expenses	(7,252)	(7,443)	(23,371)	(23,184)
Other Operating Expenses	<u>(21,055)</u>	<u>(16,070)</u>	<u>(56,545)</u>	<u>(50,710)</u>
Results from Operating Activities	12,797	35,648	72,189	105,664
Finance Costs	(775)	(890)	(2,374)	(2,596)
Interest Income	184	107	520	222
Profit Before Taxation	<u>12,206</u>	<u>34,865</u>	<u>70,335</u>	<u>103,290</u>
Income Tax Expenses	<u>(2,964)</u>	<u>(9,661)</u>	<u>(17,129)</u>	<u>(27,000)</u>
Profit After Taxation	<u>9,242</u>	<u>25,204</u>	<u>53,206</u>	<u>76,290</u>
Profit for the period/Total comprehensive income for the period	<u>9,242</u>	<u>25,204</u>	<u>53,206</u>	<u>76,290</u>
Profit Attributable to:				
Equity holders of the Company	9,242	25,204	53,206	76,290
Non-controlling interest	-	-	-	-
	<u>9,242</u>	<u>25,204</u>	<u>53,206</u>	<u>76,290</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>14.40</u>	<u>39.40</u>	<u>83.10</u>	<u>119.20</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 September 2020

	AS AT 30/09/20 RM'000 (Unaudited)	AS AT 31/12/19 RM'000 (Audited)
ASSETS		
Property, plant and equipment	135,887	123,482
Right-of-use assets	8,299	3,977
Intangible assets	803	1,675
TOTAL NON-CURRENT ASSETS	144,989	129,134
Inventories	171,118	135,024
Trade and other receivables	99,968	112,852
Prepayments	8,271	5,052
Derivatives financial assets	22	-
Cash and cash equivalents	54,380	61,532
TOTAL CURRENT ASSETS	333,759	314,460
TOTAL ASSETS	<u>478,748</u>	<u>443,594</u>
EQUITY		
Share capital	64,000	64,000
Retained profits	108,023	80,417
Attributable to equity holders of the Company	172,023	144,417
TOTAL EQUITY	172,023	144,417
LIABILITIES		
Deferred tax liabilities	3,437	6,794
Lease Liabilities	2,978	340
TOTAL NON-CURRENT LIABILITIES	6,415	7,134
Trade and other payables	265,368	264,928
Provision	220	207
Derivatives financial liabilities	1,961	1,887
Current tax liabilities	13,642	7,663
Bank overdraft	17,109	16,724
Lease Liabilities	2,010	634
CURRENT LIABILITIES	300,310	292,043
TOTAL LIABILITIES	306,725	299,177
TOTAL EQUITY AND LIABILITIES	<u>478,748</u>	<u>443,594</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>2.69</u>	<u>2.26</u>

(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 September 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
<u>9 months ended 30 September 2020</u>					
Balance at beginning of period	64,000	80,417	144,417	-	144,417
Movements during the period	-	53,206	53,206	-	53,206
Dividend payable	-	-	-	-	-
Dividends paid	-	(25,600)	(25,600)	-	(25,600)
Balance at end of period	64,000	108,023	172,023	-	172,023
<u>9 months ended 30 September 2019</u>					
Balance at beginning of period	64,000	41,459	105,459	-	105,459
Movements during the period	-	76,290	76,290	-	76,290
Dividend payable	-	-	-	-	-
Dividends paid	-	(32,000)	(32,000)	-	(32,000)
Balance at end of period	64,000	85,749	149,749	-	149,749

(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 September 2020

	9 months TO DATE	9 months TO DATE
	30/09/20 (Unaudited) RM'000	30/09/19 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	827,635	778,184
Cash paid to suppliers and employees	(770,867)	(682,048)
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Cash generated from operations	56,768	96,136
Income tax paid	(14,507)	(31,202)
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Net cash generated from/(used in) operating activities	42,261	64,934
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CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(19,968)	(12,955)
Additions of intangible assets	(244)	(82)
Proceeds from disposal of property, plant and equipment	137	0
Proceeds from disposal of asset classified as held for sale	-	0
Interest received	520	222
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(19,555)	(12,815)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,202)	(2,546)
Dividends paid	(25,600)	(32,000)
Payment of principal portion of lease liabilities	(2,441)	(2,106)
	<hr/>	<hr/>
Net cash used in financing activities	(30,243)	(36,652)
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Net increase/(decrease) in cash and cash equivalents	(7,537)	15,467
Cash and cash equivalents brought forward	44,808	16,937
	<hr/>	<hr/>
Cash and cash equivalents carried forward	37,271	32,404
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Cash and cash equivalents consist of:		
Cash and bank balances	54,380	47,509
Bank overdraft	(17,109)	(15,105)
Deposits placed with licensed banks	-	-
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	37,271	32,404
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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)

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 30/09/20 RM'000	Quarter ended 30/09/19 RM'000
Segment profit		
Revenue	286,820	276,313
Profit After Taxation	9,242	25,204

8. Capital Commitments

	As at 30/09/20 RM'000	As at 30/09/19 RM'000
Property, plant and equipment		
Authorised but not contracted for	19,597	913
Contracted but not provided for	65,242	6,170

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 30/09/20 RM'000	Quarter ended 30/09/19 RM'000
Sales to related parties	5,549	4,870
Purchases from related parties	99,224	97,828
Know-how, Trademark License and Management Support fees	8,662	6,484
Shared services from related parties	5,090	2,923

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

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
	30/09/20	30/09/19	%	30/09/20	30/09/19	%
Revenue	286,820	276,313	3.8%	811,514	784,905	3.4%
Operating Profit	12,797	35,648	-64.1%	72,189	105,664	-31.7%
Profit Before Interest and Tax	12,022	34,758	-65.4%	69,815	103,068	-32.3%
Profit Before Taxation	12,206	34,865	-65.0%	70,335	103,290	-31.9%
Profit After Taxation	9,242	25,204	-63.3%	53,206	76,290	-30.3%
Attributable to Ordinary Equity Holders of the parent	9,242	25,204	-63.3%	53,206	76,290	-30.3%

The Company recorded 3.8% higher revenue in the third quarter of 2020 versus same quarter in 2019. YTD Q3 revenue growth is 3.4% versus same period last year. Despite the COVID challenges and a significant slowdown in the Food Service business, 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 Malaysian people with trusted dairy nutrition.

Current quarter Profit before Tax decreased by 64% where higher demand for Dutch Lady products, optimization of commercial spend were more than offset by negative mix (channel and portfolio), increased global dairy raw material prices and a significant negative impact resulting from a one-off Raw Material/Milk inventories valuation assessment.

In Q3 2020 DLMI performed inventory valuation assessments, which resulted in a one-off balance sheet correction of Raw Material/Milk inventories, negatively impacting the Quarter 3 2020 EBIT. This one-off inventory valuation correction was carried out in view of the current market volatilities (especially COVID-related).

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

RM '000	Current Quarter	Preceding Quarter	Changes vs Prec Q
	30/09/20	30/06/20	%
Revenue	286,820	273,524	4.9%
Operating Profit	12,797	28,672	-55.4%
Profit Before Interest and Tax	12,022	27,863	-56.9%
Profit Before Taxation	12,206	28,025	-56.4%
Profit After Taxation	9,242	21,232	-56.5%
Attributable to Ordinary Equity Holders of the parent	9,242	21,232	-56.5%

Versus previous quarter the company recorded a revenue growth of 5% resulting from improved Out-of-Home consumption (Foodservice) and focused activities to enhance physical availability through distribution of Dutch Lady products. Profit before tax declined by 55% due to the significant impact of the before mentioned one-off valuation impact of Raw Material/Milk inventories as well as resulting from FOREX headwind, higher commercial spends supporting the launch of the improved Ready to Drink range through the Stronger Me, Stronger us campaign.

14. Business Prospects

A. 2020 Prospects

The market remains volatile and is subject to various domestic and global uncertainties, economic slowdown due to the pandemic and foreign exchange rate. The Company remains cautious over the outlook in the balance of the year due to the uncertainties brought about by COVID-19. The resulting precautionary measures by Government necessary to contain the outbreak may undermine consumer sentiment and economic growth. The Company continues to focus on increasing the consumption of milk amongst Malaysian consumers like seen in the revenue growth in the first three quarters of 2020.

Over the long term, the outlook for the company remains positive. 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. The company is in the process of acquiring the land in Bandar Enstek, Negeri Sembilan for its future expansion to continue nourishing Malaysian people.

- 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 30/09/20 RM'000	Quarter ended 30/09/19 RM'000
Income tax for current period	6,015	7,924
Deferred tax for current period	(3,077)	1,737
Penalty and fines for current period	26	
Total taxation	<u>2,964</u>	<u>9,661</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 30/09/20 RM'000	As At 30/09/19 RM'000
At 1 January	6,794	6,539
Recognised in the statement of comprehensive income	<u>(3,357)</u>	<u>1,887</u>
At period end	<u>3,437</u>	<u>8,426</u>

19. Corporate Proposals

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

20. Company Borrowings

	As at 30/09/20 RM'000	As at 30/09/19 RM'000
Unsecured short term borrowing		
Bank overdraft	<u>17,109</u>	<u>15,105</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 30/09/20 RM'000	As At 30/09/19 RM'000
Derivatives held for trading at fair value through profit or loss for US Dollar		
Nominal Value	126,406	117,130
Assets	22	1,317
Liabilities	1,961	0

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.

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23. Earnings Per Share

	Quarter ended 30/09/20	Quarter ended 30/09/19
Basic earnings per share		
Profit for the period (RM'000)	9,242	25,204
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	14.40	39.40

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

24. Proposed Dividend

On 26 November 2020, the Company has declared a standard single-tier interim dividend of RM0.40 per share amounting to RM25.6 million in respect of the financial year ending 31 December 2020.

All shareholders whose names appear on the Record of Depositors on 14 December 2020 shall be paid the above dividends on 24 December 2020.

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

- a) Securities transferred to the Depositor's Securities Account before 5.00pm on 14 December 2020, 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 30/09/20 RM'000	Year to-date 30/09/19 RM'000
Interest income	520	222
Finance costs		
- Interest expense	(2,201)	(2,547)
- Finance charge from lease	(173)	(49)
Depreciation of property, plant and equipment	(11,849)	(11,677)
Depreciation of rights-of-use assets	(1,908)	(2,157)
Amortisation of intangible assets	(1,116)	(1,133)
Provision for obsolescence of inventories	652	(729)
Gain/(Loss) on disposal of property, plant & equipment	(51)	-
Property, plant & equipment written off	(47)	
Net gain/(loss) on derivatives	(52)	2,186
Net foreign exchange gain/(loss)		
- Realised	(1,245)	(2,679)
- Unrealised	512	(308)

By Order of the Board
Katina Nurani Abd Rahim
Company Secretary
26 November 2020