

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 31 December 2023

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	COMPARATIVE QUARTER	12 months TO DATE	12 months TO DATE
	31/12/23 (Unaudited) RM'000	31/12/22 (Audited) RM'000	31/12/23 (Unaudited) RM'000	31/12/22 (Audited) RM'000
Revenue	364,531	361,687	1,442,823	1,339,410
Cost of Sales	<u>(246,637)</u>	<u>(303,017)</u>	<u>(1,014,426)</u>	<u>(983,893)</u>
Gross Profit	117,894	58,670	428,397	355,517
Other Income	17,680	823	18,620	4,562
Distribution Expenses	(33,611)	(42,037)	(170,160)	(164,363)
Administrative Expenses	(15,593)	(25,414)	(42,324)	(50,068)
Other Operating Expenses	(59,227)	(24,507)	(134,536)	(89,223)
Results from Operating Activities	27,143	(32,465)	99,997	56,425
Interest Income	298	715	1,024	1,794
Finance Costs	(1,222)	(1,019)	(4,528)	(3,660)
Profit Before Taxation	26,219	(32,769)	96,493	54,559
Income Tax Expenses	(3,393)	12,536	(24,099)	(8,288)
Profit After Taxation	22,826	(20,233)	72,394	46,271
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>22,826</u>	<u>(20,233)</u>	<u>72,394</u>	<u>46,271</u>
Profit Attributable to:				
Equity holders of the Company	22,826	(20,233)	72,394	46,271
Non-controlling interest	-	-	-	-
	<u>22,826</u>	<u>(20,233)</u>	<u>72,394</u>	<u>46,271</u>
EARNINGS PER SHARE				
- Basic earnings per share (sen) (Based on 64,000,000 ordinary shares)	<u>35.70</u>	<u>(31.60)</u>	<u>113.10</u>	<u>72.30</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 31 December 2023

	AS AT 31/12/23 RM'000 (Unaudited)	AS AT 31/12/22 RM'000 (Audited)
ASSETS		
Property, plant and equipment	503,206	344,202
Right-of-use assets	8,473	3,046
Intangible assets	27,492	13,181
Other receivables	1,987	-
Deferred tax assets	2,220	-
TOTAL NON-CURRENT ASSETS	543,378	360,429
Inventories	241,098	228,882
Trade and other receivables	94,343	97,708
Prepayments	1,310	45,887
Current tax receivable	-	6,327
Cash and cash equivalents	66,152	104,941
Derivatives financial assets	595	-
CURRENT ASSETS	403,498	483,745
Assets classified as held for sale	-	-
TOTAL CURRENT ASSETS	403,498	483,745
TOTAL ASSETS	946,876	844,174
EQUITY		
Share capital	64,000	64,000
Retained profits	373,245	332,851
Attributable to equity holders of the Company	437,245	396,851
Non-controlling interest	-	-
TOTAL EQUITY	437,245	396,851
LIABILITIES		
Lease Liabilities	3,994	2,093
Deferred tax liabilities	-	2,322
Provision	375	9,201
TOTAL NON-CURRENT LIABILITIES	4,369	13,616
Trade and other payables	482,094	413,688
Provision	12,689	8,710
Current tax liabilities	1,123	-
Bank overdraft	-	-
Lease Liabilities	6,961	6,498
Derivatives financial liabilities	2,395	4,811
CURRENT LIABILITIES	505,262	433,707
TOTAL LIABILITIES	509,631	447,323
TOTAL EQUITY AND LIABILITIES	946,876	844,174
Net assets per share attributable to ordinary equity holders of the Company (RM)	6.83	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 EQUITY

For the financial quarter ended 31 December 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
<u>12 months ended 31th December 2023</u>					
Balance at beginning of period	64,000	332,851	396,851	-	396,851
Movements during the period	-	72,394	72,394	-	72,394
Dividend payable	-	-	-	-	-
Dividends paid	-	(32,000)	(32,000)	-	(32,000)
Balance at end of period	64,000	373,245	437,245	-	437,245
<u>12 months ended 31th December 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

(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 31 December 2023

	12 months TO DATE 31/12/23 (Unaudited)	12 months TO DATE 31/12/22 (Audited) (Restated)
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	1,443,606	1,318,342
Cash paid to suppliers and employees*	(1,215,808)	(1,132,014)
	<hr/>	<hr/>
Cash generated from operations	227,798	186,328
Income tax paid	(21,191)	(32,747)
Penalty paid	-	-
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	206,607	153,581
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment*	(189,308)	(119,531)
Additions of intangible assets	(12,958)	(5,020)
Assets classified as held for sale	-	-
Proceeds from disposal of property, plant and equipment	476	-
Proceeds from disposal of asset classified as held for sale	-	-
Interest received	1,024	1,794
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(200,766)	(122,757)
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CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(4,041)	(3,405)
Dividends paid	(32,000)	(32,000)
Payment of principal portion of lease liabilities	(8,589)	(8,778)
	<hr/>	<hr/>
Net cash used in financing activities	(44,630)	(44,183)
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Net increase/(decrease) in cash and cash equivalents	(38,789)	(13,359)
Cash and cash equivalents brought forward	104,941	118,300
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Cash and cash equivalents carried forward	66,152	104,941
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Cash and cash equivalents consist of:		
Cash and bank balances	66,152	104,941
Bank overdraft	-	-
Deposits placed with licensed banks	-	-
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	66,152	104,941
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*During the financial year, the Company has reclassified non-cash items relating to purchase of property, plant and equipment and trade and other payables
(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, 2023 and 2024.

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 31/12/23 RM'000	Quarter ended 31/12/22 RM'000
Segment profit		
Revenue	364,531	361,687
Profit/(loss) After Taxation	22,826	(20,233)

8. Capital Commitments

	As at 31/12/23 RM'000	As at 31/12/22 RM'000
Property, plant and equipment		
Authorised but not contracted for	134,498	191,290
Contracted but not provided for	98,450	195,600

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 31/12/23 RM'000	Quarter ended 31/12/22 RM'000
Sales to related parties	359	7,304
Purchases from related parties	217,532	201,148
Know-how, Trademark License and Management Support fees	10,948	48,418
Shared services from related parties	7,503	6,176
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	12 months To Date	12 months To Date	Changes TY vs LY
	31/12/23	31/12/22	%	31/12/23	31/12/22	%
Revenue	364,531	361,687	0.8%	1,442,823	1,339,410	7.7%
Operating Profit (exclude Accelerated Depreciation and one-offs)	59,054	12,749	363.2%	159,105	114,184	39.3%
Operating Profit	27,143	(32,465)	n.a.	99,997	56,425	77.2%
Profit Before Interest and Tax	25,921	(33,484)	n.a.	95,469	52,765	80.9%
Profit Before Taxation	26,219	(32,769)	n.a.	96,493	54,559	76.9%
Profit After Taxation	22,826	(20,233)	n.a.	72,394	46,271	56.5%
Attributable to Ordinary Equity Holders of the parent	22,826	(20,233)	n.a.	72,394	46,271	56.5%

*Accelerated depreciation and transition-related one-off costs in Q4 2023: RM31.9 million; Q4 2022: RM45.2 million (includes impact of 2018-2022 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 2023 DLMI's full year revenue for the first time passed the RM1.4 Billion mark (+7.7% vs 2022), driven by 3% volume growth with increasing market share as demand for Dutch Lady products remains strong, combined with selective price increases. As a market leader DLMI continues its investments in the Dairy Market and stays committed to its purpose of Nourishing Our Planet and People in Every Stage of Life. To this end we apply strategic pricing, balancing affordability and profitability of our products.

In the fourth quarter the company recorded a Revenue growth of 0.8% compared to the same quarter last year, driven by continued effects of revenue growth management initiatives earlier in the year to mitigate the impact of inflationary headwinds.

Operating Profit landed at RM27.1 million in Q4 2023, a significant increase of RM59.6 million from an operating loss of RM32.5 million in Q4 2022. 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 amounting to RM31.9 million in Q4 2023 are included in the reported Operating Profit. This is lower than the RM45.2 million cost adjustment reported in Q4 2022, when the company announced a restructuring provision related to the optimization of operations in its Petaling Jaya facility and faced one-off costs related to the correction after the BAPA agreement for the years 2022-2018.

On a like-for-like-basis Operating Profit excluding accelerated depreciation and one-offs is RM59.1 million, marking a 363.2% increase versus the same quarter in 2022. This increase is mainly driven by growth in revenue and the softening costs of dairy raw materials.

In Q4 2023 Profit Before Taxation in current quarter landed at a RM26.2 million versus a loss of RM32.8 million in 2022. Profit After Taxation increased by RM43.1m to RM22.8 million compared to a loss of RM20.2 million in Q4 2022, as a result of revenue growth, cost price improvements driven by softening dairy raw material prices and lower one-off costs.

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

RM '000	Current Quarter	Preceding Quarter	Changes Q4 vs Q3
	31/12/23	30/09/23	%
Revenue	364,531	372,785	-2.2%
Operating Profit (exclude Accelerated Depreciation and one-offs)	59,054	44,442	32.9%
Operating Profit	27,143	26,141	3.8%
Profit Before Interest and Tax	25,921	25,059	3.4%
Profit Before Taxation	26,219	25,307	3.6%
Profit After Taxation	22,826	16,792	35.9%
Attributable to Ordinary Equity Holders of the parent	22,826	16,792	35.9%

*Accelerated depreciation and transition-related one-off in Q4 2023: RM31.9 million; Q3 2023: RM18.3 million

The company's revenue for the current period was lower (-2.2%) compared to Q3'23 primarily due to unfavorable product and channel mix.

Operating Profit landed at RM27.1 million in Q4 2023, an increase of 3.8% versus the previous quarter. 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 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 included in the Reported Operating Profit amount to RM31.9 million compared to RM18.3 million in Q3 2023.

Excluding the one-off costs, Operating profit (excluding Accelerated depreciation and one-offs) rose by 32.9% (RM14.7 million) vs Q3 2023. This increase was primarily due to softening prices for dairy raw materials, as well as a reduction in operational costs and promotional expenses.

Profit Before Taxation in the quarter increased by RM0.9 million to RM26.2 million as a result of the above-mentioned drivers, whereas Profit After Taxation increased by RM6.0 million to RM22.8 million.

14. Business Prospects

A. 2024 Prospects

The market remains volatile and is subject to various domestic and global uncertainties and challenges, including fluctuating foreign exchange rates, volatility in commodity prices and potential regulatory changes. Global dairy raw material prices have stabilized, yet are still at high levels historically and may show an upward trend in 2024. Ongoing geopolitical tensions continue to introduce volatility in the prices of raw materials, potentially leading to fluctuations and an upward trend in the costs of these commodities. Simultaneously, the MYR's volatility amidst global and domestic uncertainties, coupled with regulatory changes and updates to the tax regime, poses challenges that could result in higher input costs going forward.

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.

2024 promises to be a transformative period for DLMI as it embarks on a new and exciting journey that ensures we can continue to nourish our nation for generations to come. Central to this initiative is the planned opening of our state-of-the-art IR4.0 factory in 2024, a pivotal move that not only facilitates DLMI's continued growth but also opens up new opportunities to solidify our position as the leader in the Malaysian dairy industry.

DLMI will continue to focus on optimizing costs and cashflow and is implementing a fit-for-purpose organization to increase effectiveness, lower its fixed cost base to battle the current inflationary and exchange rate 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.

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 31/12/23 RM'000	Quarter ended 31/12/22 RM'000
Income tax for current period	5,976	(2,703)
Income tax for prior period	1,461	(10,252)
Deferred tax for current period	(4,044)	419
Penalty	-	-
Total taxation	<u>3,393</u>	<u>(12,536)</u>

The increase in the effective tax rate for the current quarter is attributed to an increase in Profit Before Tax and one-off adjustments in 2022.

18. Deferred Tax Liabilities/(Assets)

	As At 31/12/23 RM'000	As At 31/12/22 RM'000
At 1 January	2,322	5,968
Recognised in the statement of comprehensive income	<u>(4,542)</u>	<u>(3,646)</u>
At period end	<u>(2,220)</u>	<u>2,322</u>

19. Corporate Proposals

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

20. Company Borrowings

	As at 31/12/23 RM'000	As at 31/12/22 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 31/12/23 RM'000	As At 31/12/22 RM'000
Derivatives held for trading at fair value through profit or loss for US Dollar		
Nominal Value	184,765	109,765
Assets	595	-
Liabilities	2,395	4,811

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 31/12/23	Quarter ended 31/12/22
Basic earnings per share		
Profit for the period (RM'000)	22,826	(20,233)
Weighted average number of ordinary shares in issue ('000)	64,000	64,000
Basic earnings per share (sen)	35.70	(31.60)

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 31/12/23 RM'000	Year to-date 31/12/22 RM'000
Interest income	1,024	1,794
Finance costs		
- Interest expense	(4,040)	(3,406)
- Finance charge from lease	(487)	(255)
Depreciation of property, plant and equipment	(14,316)	(17,575)
Accelerated depreciation of property, plant and equipment	(12,617)	(13,022)
Depreciation of rights-of-use assets	(5,121)	(3,507)
Amortisation of intangible assets	(273)	(326)
Write (down)/back of inventories*	(1,470)	1,229
Gain/(Loss) on disposal of property, plant & equipment	88	-
Gain/(Loss) on written off of property, plant & equipment	(318)	-
Impairment of property, plant & equipment	(177)	-
Net gain/(loss) on derivatives	3,011	(4,911)
Net foreign exchange gain/(loss)		
- Realised	6,568	3,672
- Unrealised	1,640	887

*Inventory Revaluation

By Order of the Board
Katina Nurani Abd Rahim
Company Secretary
20th February 2024