Delfi LIMITED

Company Registration No.: 198403096C

FOR IMMEDIATE RELEASE

Delfi Limited sets base for recovery

- *The Group's strategic initiatives implemented (including product rationalization) in recent years expected to drive recovery.*
- *Proposed final dividend of 0.76 Singapore cents per share, which together with the interim dividend of 1.66 Singapore cents per share, equates to a total dividend of 2.42 Singapore cents per share for FY2017.*

Financial Highlights (US$ Million)	3 months ended 31 December				Year ended 31 December			
	4Q 2017	4Q 2016	Change (%)	Change in Constant Exchange Rates (%)*	FY2017	FY2016	Change (%)	Change in Constant Exchange Rates (%)*
Revenue	99.7	105.6	(5.6)	(3.8)	380.9	402.1	(5.3)	(3.7)
EBITDA	11.6	12.5	(6.9)	(4.5)	44.8	50.6	(11.5)	(11.0)
Gross Profit Margin	35.6%	38.4%	- 2.8% points		34.1%	34.8%	- 0.7% points	
PATMI	**3.9**	**3.7**	**6.1**	**9.8**	**22.1**	**26.2**	**(15.5)**	**(15.3)**

* *For comparative purposes only, this shows the effect of using the respective exchange rates of the regional currencies in 4Q 2016 and FY2016 in translating 4Q 2017 and FY2017 results.*

SINGAPORE - 26 February 2018 - Mainboard listed chocolate confectionery company, Delfi Limited ("**Delfi**" or the "**Group**") has undertaken strategic initiatives intended to adapt its business to the changed conditions in its core market of Indonesia over the last three years. The market changes include the rapid growth of the minimarket and convenience store formats as a proportion of the total Modern Trade market; and increased competition especially from foreign competitors with noticeably higher investments in order to gain market share.

Delfi's business re-organization, which started in 2016, is necessary to reposition its business for growth. The strategic initiatives implemented included a strengthening of its management team and organization; a review and trimming of its portfolio of products, eliminating underperforming and low-contributing products; and a revision of its routes-to-market strategy. This has had an impact on sales and profitability in the short term but this, it believes, provides a stronger base to grow from

For FY2017, Delfi Limited achieved PATMI of US$22.1 million on the back of US$380.9 million in sales for the 12 months ended 31 December 2017. This is a 5.3% and 15.5% Year-on-Year ("Y-o-Y") decline in sales revenue and earnings respectively as compared to the 12 months ended 31 December 2016 ("**FY2016**").

The Group's 2017 performance reflected the product rationalization programme where products cut had underperformed in terms of a higher benchmark for sales velocity and/or margin performance. This is part of the strategic initiatives to re-orient the Group's business in Indonesia for future growth.

Own Brands sales continued to be the major contributor to the Group's business in FY2017, forming more than 60% of its revenue. However, as compared to FY2016, revenue from Own Brands fell 7.1% to US$236.9 million in FY2017 due to the Group's on-going product rationalization exercise and a Government imposed transport disruption in Indonesia in December 2017.

Meanwhile, weaker overall Agency Brands sales in FY2017 was attributed to the discontinuation of two agency brands in the Philippines and higher trade discounts implemented in Indonesia. This was partially offset by stronger performance in Malaysia, which was driven by higher sales in confectionery and healthcare products, while the remaining agency brands in Philippines achieved double digit growth.

On a quarterly basis, the Group's PATMI grew 6.1% Y-o-Y to US$3.9 million despite a 5.6% Y-o-Y decline in sales to US$99.7 million for the three months ended 31 December 2017 ("**4Q 2017**").

As a result of its cost containment initiatives and better sales of high-margined products, Delfi's gross profit margin ("**GPM**") has been on an uptrend quarter-on-quarter in FY2017 with 4Q 2017's GPM at 35.6%, and the full year's GPM at 34.1%. EBITDA margin fell 0.2% point Y-o-Y to 11.7% and 0.8% point Y-o-Y to 11.8% in 4Q 2017 and FY2017 respectively.

Based on 611,157,000 ordinary shares in issue, the Group's earnings per share for FY2017 was 3.62 US cents, compared to 4.28 US cents in FY2016. Net asset value per share as at 31 December 2017 was 34.3 US cents compared to 32.9 US cents as at 31 December 2016.

During the period under review, Delfi generated free cash flow of US$14.5 million on its profitability and lower capital expenditure. In addition, the Group has a positive cash balance of US$67.4 million as at 31 December 2017 to support its near term business and investment needs.

DIVIDEND

The Group has proposed a final dividend of 0.76 Singapore cents per share, which together with the interim dividend of 1.66 Singapore cents per share, brings the total dividend for the year to 2.42 Singapore cents per share (vs 3.18 Singapore cents per share for 2016). This represents a dividend payout ratio of 50.0% for FY2017.

PERFORMANCE REVIEW BY MARKETS

Financial Highlights (US$ Million)	3 months ended 31 December				12 months ended 31 December			
	4Q 2017	4Q 2016	Change (%)	Change in Constant Exchange Rates (%)*	FY2017	FY2016	Change (%)	Change in Constant Exchange Rates (%)*
Indonesia	70.2	76.4	(8.1)	(6.0)	270.4	290.9	(7.1)	(6.9)
Regional Markets	29.5	29.2	1.1	1.9	110.5	111.2	(0.6)	4.5
Total Revenue	**99.7**	**105.6**	**(5.6)**	**(3.8)**	**380.9**	**402.1**	**(5.3)**	**(3.7)**

* *For comparative purposes only, this shows the effect of using the respective exchange rates of the regional currencies in 4Q 2016 and FY2016 in translating 4Q 2017 and FY2017 results.*

Indonesia

The 4Q 2017 and FY2017 sales generated by Delfi's business in Indonesia fell 8.1% and 7.1% respectively in the Group's USD reporting currency and lower by 6.0% and 6.9% in local currency terms. For 4Q 2017, the weaker performance can be attributed to the Government imposed transportation disruption and also due to lower sales of value formats. If not for the transportation disruption, we believe Own Brands sales in Indonesia in 4Q 2017 would have been higher driven by Core Brands like *SilverQueen*, *Delfi*, *Ceres* and *Selamat*. This improvement reflected the benefits of Delfi's re-organization and restricting initiatives.

Indonesia's Modern Trade format, especially in the form of convenience stores and minimarts, has expanded rapidly and whilst benefitting the retail sector and consumers, it requires a different supply model and approach from a commercial standpoint. To address this trend, Delfi has put in place strategic measures over the last two to three years that it believes will position it for future growth. These initiatives include making new senior management appointments in Indonesia as well as reorganizing its current organisational structure in order to strengthen its leadership team. Its portfolio of Own Brands has been reviewed and streamlined to focus on stronger performing core brands and products. Changes to our routes-to-market strategy implemented which included the development of specialist teams to better manage our customer relationships, and the re-organization of our supply chain approach in order to: (i) increase the speed to market for our products; (ii) maintain a high level of product availability; and (iii) to ensure that our products continue to maintain significant shelf space presence.

Mr John Chuang, Delfi's Chief Executive Officer, said*: "Given the scale of our operations in Indonesia, we had to balance between effecting these wide ranging changes successfully across our business while limiting the inevitable short term impact on sales and profitability. However we believe once completed, these changes will provide a stronger base for the Group to grow from. In 2018, we will focus on the successful execution of this strategy."*

Regional Markets (comprising Philippines and Malaysia)

Revenues from the Group's Regional Markets increased 1.1% in 4Q 2017 (1.9% in local currency terms). The growth was mainly driven by higher overall sales in Malaysia while growth of Own Brands sales in the Philippines reflected the Group's "*Goya World Class Chocolate*" market campaign.

BUSINESS OUTLOOK

With its product rationalization exercise largely completed and other strategic initiatives expected to be fully implemented by 2018, Delfi is optimistic that it is well-positioned for future growth.

In 2018, the Group's focus is to continuously work closely with trade customers and partners to grow its business by ensuring that its brands are readily available, properly displayed and at the right price points to drive sales. It will continue aggressive brand building in key markets while driving cost efficiencies internally and through its supply chain.

Mr Chuang *said: "Through this combination of top line focus and stepped up productivity efforts, we expect the Group's operations to provide longer term stability and profitability. We will ensure that our organization is well-aligned to implement our growth plans and strategies across all our markets and we remain dedicated to growing our key brands and strengthening our market reach."*

Delfi will continue to look out for suitable and synergistic opportunities to enter new markets and extend to new product categories.

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ABOUT DELFI LIMITED

Headquartered in Singapore and listed on the SGX-ST since 5 November 2004, Delfi Limited and its subsidiaries (the "Group") manufactures and/or distributes branded consumer products that are sold in over 17 countries including Indonesia, Singapore, Malaysia, Hong Kong, Australia, Thailand, the Philippines and China.

Formerly called Petra Foods Limited until an official name change that took effect on 9 May 2016, Delfi has an established portfolio of chocolate confectionery brands which are household names in Indonesia. Its flagship brands in Indonesia include "SilverQueen" and "Ceres" that were introduced in the 1950s and "Delfi" in the 1980s. In addition, the Group also distributes a portfolio of well-known agency brands in Indonesia, Malaysia and the Philippines.

The Group was awarded the top spot in the annual Singapore Enterprise 50 Award in 2003 and was recognised as the "Best Newly Listed Singapore Company in 2004" in AsiaMoney's Best Managed Companies Poll 2004. It was named the "Enterprise of the Year 2004" by the 20th Singapore Business Awards on 30 March 2005 and was named one of "Singapore's 15 Most Valuable Brands" in November 2005 by IE Singapore.

Over the years, Delfi Limited has clinched awards in various categories at the annual Singapore Corporate Awards. The Group won a Silver award for its inaugural annual report in the "Best Annual Report/Newly Listed Company" category in 2006. In April 2009, it clinched a Gold award in the "Best Annual Report/Companies with $300 million to less than $1 billion in market capitalisation" category. In May 2010, it bagged two Silver awards for "Best Managed Board" and "Best Investor Relations" under the "companies with $300 million to less than $1 billion in market capitalisation" category. In 2015, the Group begged a Bronze award for "Best Managed Board" under the "companies with S$1 billion and above in market capitalisation" category.

Delfi Limited's Chief Executive Officer, Mr John Chuang, was also recognised for his leadership and management of the Group. He was named "Best Chief Executive Officer" at the 2011 Singapore Corporate Awards, "Businessman of the Year" at the 2012 Singapore Business Awards and he was one of the recipients of the SG50 Outstanding Chinese Business Pioneers Awards in 2015.

***Issued by August Consulting on behalf of* Delfi Limited**

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