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Media Release

Duty Free International Limited's 2Q2017 net profit increased by 63.0% to RM15.4 million

- HY2017 net profit increases by 47% to 2Q2017 to RM35.3m on the back of a revenue increase of 20.7% to RM349.6 million

Singapore, 12 October 2016 – Mainboard listed Duty Free International Limited (“DFI” or the “Company”), the largest multi-channel duty free and duty paid retail group in Malaysia with more than 40 retail outlets, today announced their second quarter (“2Q2017”) and half year (“HY2017”) ended 31 August 2016.

FINANCIAL HIGHLIGHTS						
In RM million except otherwise stated	2Q2017	2Q2016	Change %	HY2017	HY2016	Change %
Revenue	157.0	150.0	4.7	349.6	289.6	20.7
Profit before income tax	21.4	14.6	46.6	46.5	34.2	36.0
Net Profit	15.4	9.5	62.1	35.3	24.0	47.1
Net Profit attributable to shareholders	13.8	9.5	45.3	33.7	24.0	40.4

The Group's 2Q2017 revenue increased marginally by 4.7% to RM157.0 million from RM150.0 million in 2Q2016. The growth was primarily due to the increase in retailing of duty free goods and non-dutiable merchandise ("Duty Free") section. The revenue growth came from an increase in sales volume, an improvement in the pricing of certain merchandise, and the contribution from new outlets at Kuala Lumpur International Airport 2 ("KLIA 2").

The Group's profit before tax for 2Q2017 was RM21.4 million, a 46.6% increase from the profit before tax of RM14.6 million recorded in 2Q2016. The higher profit was mainly due to the increase in revenue and a net gain in the foreign exchange of RM0.4 million in 2Q2017 against to a foreign exchange loss of RM4.6 million in 2QFY2016. The increase in profit before tax was also partially offset by the hike in the rental of premises of RM1.5 million and employee benefits expenses of RM0.9 million.

Overall, the Group achieved a profit attributable to shareholders of RM13.8 million for 2Q2017, which was a 45.3% increase from RM9.5 million in 2Q2016. On half year basis, net profit attributable to shareholders rose 40.4% to RM33.7 million in HY2017 from RM24.0 million in HY2016.

Remarking on the 2Q2017 results, Mr Lee Sze Siang, Executive Director of Duty Free International said: ***"In spite of a challenging year of slower global economic growth, we are pleased to register an improvement in the half-year results. The results once again demonstrate that Duty Free International business is a resilient business. We remain cautious of the challenging operating environment ahead and it's vital for us to maintain our agility and cost management within the Group."***

Balance Sheet and Cash Flow Highlights

The increase in sales volume together with a decrease of overall purchases during the period, resulted in a decrease in the Group's inventories from RM297.2 million as at 29 February 2016 to RM217.2 million as at 31 August 2016.

Cash and bank balances increased from RM49.3 million as at 29 February 2016 to RM209.2 million as at 31 August 2016.

Total Borrowings decreased by RM20.8 million, from RM51.8 million as at 29 February 2016 to RM31.0 million as at 31 August 2016, mainly due a repayment of term loan amounting to RM16.0 million and a reduction in the utilisation of trade facilities of RM4.9 million.

Overall, the Group saw its net assets increase to RM561.5 million as at 31 August 2016 from RM402.0 million as at 29 February 2016. Equity attributable to shareholders also increased to RM544.2 million as at 31 August 2016 from RM401.9 million as at 29 February 2016.

The Group generated an operating cash flows of RM35.8 million for 2Q2017 and RM43.6 million for HY2017. Net cash used in investing activities was RM0.5 million for 2Q2017, mainly for the purchase of property, plant and equipment and land use rights of RM1.8 million and this was partially offset by interest income of RM1.3 million. Net cash generated from financing activities for 2Q2017 was mainly due to the net proceeds from issuance of new ordinary shares of RM51.6 million and proceeds from the disposal of equity shares of subsidiary to non-controlling interest and issuance of options of RM87.7 million. The cash flows were partially offset by the repayment of term loan and short term borrowings of RM15.0 million and RM15.7 million respectively, as well as a dividend payout of RM43.2 million.

The overall cash and cash equivalents of the Group increased by RM100.3 million in 2Q2017 and RM159.8 million for HY2017, ending the period with cash and cash equivalents of RM198.6 million.

Mr Lee remarked: ***“The Group continues to be focused and its priority is to be both growth and value driven despite challenging operating environment. We continue to seek better opportunities, especially in terms of enhancing our retail outlets and improving our product categories. We will strive to have steady improvement in our core operating margin and build a stronger core business.”***

Business Outlook

DFI recently achieved a corporate milestone with the successful transfer from Catalist to trading on the Mainboard of Singapore Exchange (“SGX”) on 5 Oct 2016. The Group sees this as a platform to build a more diverse investor base and further enhance their profile to tap on the capital market so as to fund future growth.

Earlier this year, Heinemann Asia Pacific Pte. Ltd., a wholly-owned subsidiary of Gebr Heinemann SE & Co KG, purchased a stake of 10 per cent plus one share in DFZ Capital Berhad, a wholly-owned subsidiary of DFI, for 19.7 million Euros in cash, with an option of increasing its stake by another 15 per cent. As a strategic investor in the business, the travel retail conglomerate Gebr Heinemann will assist in enhancing DFI's future business in Malaysia and regionally.

Given the prevailing economy being weighed down by global uncertainties, the business environment in which the Group operates is expected to remain challenging. The Group will continue to improve its core business in terms of operational efficiencies, supply chain cost effectiveness, better logistics management of products, and the enhancement of retail outlets and product assortments.

End

Note: This media release is to be read in conjunction with the announcement issued on SGXNET on the same date. Please be noted that there may be rounding differences in decimal point.

About Duty Free International Ltd. and DFZ Capital Berhad

DFZ Capital Berhad, a group subsidiary of DFI with an operating history of 38 years, is the largest multi-channel duty free and duty paid retailing group in Malaysia. The Company through its "ZON" brand of retail shops serves both Malaysian and international customers across all major entry and exit points in Peninsular Malaysia including operations at international and domestic airports, duty free zone, seaports, border towns, duty free islands and other tourist destinations.

For more information, please visit <http://dfi.com.sg>

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