

D&L Industries Announces First Half 2014 Results

- **Consolidated net income at P799 million, 22% higher year-on-year, or EPS of P0.22**
- **Year-on-year, consolidated revenues up by 26% on double-digit volume growth**

07 August 2014 – D&L Industries’ net income reached P799 million, or earnings per share (EPS) of P0.22, for the first half of 2014, 22% higher than the same period last year. The subsidiaries and affiliate, Chemrez Technologies, all reported year-on-year growth in earnings.

The Company continued to grow volume by double-digits overall, increasing year-to-date revenues by 26% year-on-year. The past four consecutive quarters have seen average sequential topline growth of 4%, driven by higher volume sales and rising commodity prices, in particular coconut oil.

Gains in both volume and margin were particularly strong in specialty plastics, complemented by stable volume growth in food ingredients’ customized specialties. In total, high margin specialty products (HMSP) accounted for 63% of the group’s overall sales for the period and low margin commodities accounted for 37%.

Commodities outgrew all categories volume-wise, diluting margins. Gross profit margin was at 17.5% versus last year’s 18.7%, and net income margin at 12.8% from 13.3%.

With record-high profit for the quarter and the first half, the Company is moving forward with good earnings momentum. Consistent with long-term trends, end market demand for its food ingredients remains strong. Also, solid results from specialty plastics and Chemrez Technologies underscore how the Company is rewarded by the diversity of its portfolio, as well as the specialty nature shared by most of the businesses.

Product Mix

	2012	2013	1H2013	1H2014
High-Margin Specialty Products	66%	68%	69%	63%
Low-Margin Commodity Products	34%	32%	31%	37%

Food Ingredients

Given the presence of specialty fats and oils in almost every food product, in particular products that consumers consider part of their everyday lives, this segment continues to grow and provide a stable, steady base for the customized specialties.

Similarly benefiting from the trend is the commodities business, which saw the strongest growth in volume among the product categories as continuing robust Philippine economy and rising disposable income drive spending. As a result, food ingredients revenues and net income grew 30% and 16% year-on-year, respectively.

Oleo-Fats' two new production facilities are complemented by a well-established logistics that include own access to barges, storage tanks and road tankers. It is from this position of strength that Oleo-Fats is navigating through the logistical challenges the industry has been recently dealt with, allowing it to sustain double-digit volume growth.

Plastics

Sales for the first six months grew 17% year-on-year, on the back of double-digit volume growth. Margin expansion accelerated in the second quarter and was across all product categories as more higher-value products were sold. This margin increase combined with volume gains resulted in 33% year-on-year earnings growth for the period.

In general, specialty plastics has been benefiting from strengthening global car sales and evolving demands in car designs, resurging Philippine manufacturing, as well as niche applications, such as biopolymers.

In addition, it has been gaining businesses overseas in line with the group's export strategy of leveraging local relationships with multinational companies. These direct exports to foreign operations of existing local customers have seen tremendous increase year-on-year, providing further runway for growth for specialty plastics.

Chemrez Technologies

Biodiesel volume has been stable and margins steady, with substantial growth in revenues tracking the year-on-year increase in coconut oil prices, which rose sharply after Typhoon Yolanda in November 2013.

This as well was evident in revenues of non-biodiesel, specialty oleochemicals, but with remarkable margin improvement year-on-year. The segment's strong performance shows how increasing relevance of sustainability to customers are creating new market opportunities and how this is being addressed by Chemrez's sustainability-inspired innovations.

These specialty oleochemical products are capable of reaching across a broad spectrum of applications, from personal care and home care to crop science.

For the rest of the businesses, Chemrez has built competitive market positions that provide a strong foundation for stable growth. Some segments are even yielding margins comparable with that of D&L's high margin specialties. Overall Chemrez sales and net income were 29% and 45% higher year-on-year, respectively.

Aerosols

Volume grew at a decent clip in the first six months of 2014, with personal care expanding the most. Margins were steady year-on-year, but up significantly quarter-on-quarter, driven by maintenance chemicals products. Overall, sales and net income were higher year-on-year by 2% and 4%, respectively.

The underlying fundamentals for discretionary spending remain solid, supporting good growth for aerosols. Through various client- and R&D-driven initiatives, Aero-Pack is continuously working to improve its array of products to further capture emerging opportunities in these non-essential consumer items.

D&L Industries is a Filipino company engaged in product customization and specialization for the food, plastics, and aerosol industries. The company's principal business activities include manufacturing of customized food ingredients, specialty raw materials for plastics, and oleochemicals for personal and home care use. Established in 1963, D&L has the largest market share in each of the industries it serves, as well as longstanding customer relationships with the Philippines' leading consumer and chemical companies. It was listed on the Philippine Stock Exchange in December 2012. For more information please visit www.dnl.com.ph

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