

**FOR IMMEDIATE RELEASE**

## **Petra Foods plans to return US\$60 million to shareholders**

- *Following the finalisation of the sale of the Cocoa Ingredients business, excess cash of US\$60 million is planned to be returned to shareholders.*
- *Separately the Group announced it achieved revenue of US\$405.9 million in FY2015. Underlying results reflect the weak consumer sentiment in Indonesia and the continued depreciation of regional currencies, especially the Indonesian Rupiah.*
- *FY2015 bottomline affected by exceptional items, mainly the one-time exceptional charge of US\$19.4 million resulting from the settlement of dispute with Barry Callebaut.*

**SINGAPORE - 22 February 2016** - Mainboard listed chocolate confectionery company, Petra Foods Limited (“**Petra Foods**” or the “**Group**”) today announced that following the finalisation last year of a claim arising from the sale of its Cocoa Ingredients business to Barry Callebaut AG (“**Barry Callebaut**”) in 2013 it is now able to return excess cash to its shareholders. The distribution had previously been considered but had to be put on hold pending the resolution of the dispute by Barry Callebaut.

Now that the dispute has been settled the Board has again reviewed Company’s needs for cash and has considered the various capital expenditure and investment opportunities available to the Group. The Board has concluded that the Company’s US\$111.7 million cash reserves are in excess of the medium term needs of the Company and are proposing to return US\$60 million to Shareholders by means of a court-sanctioned Capital Reduction.

This proposal will require Shareholders’ approval at an Extraordinary General Meeting which will be announced at a later date. The advisors to the Company have indicated that it may take up to 22 weeks for the process to be completed.

Financial Highlights (US\$' M)	3 months ended 31 December				Year ended 31 December			
	4Q 2015	4Q 2014	Change (%)	Change in Constant Exchange Rates (%)*	FY2015	FY2014	Change (%)	Change in Constant Exchange Rates (%)*
Revenue	100.0	131.2	(23.8)	(11.5)	405.9	504.0	(19.5)	(9.9)
EBITDA	5.5	21.2	(74.2)	(67.0)	37.5	80.9	(53.7)	(46.3)
<b>PATMI**</b>	<b>0.8</b>	<b>12.7</b>	<b>(93.4)</b>	<b>(87.3)</b>	<b>15.3</b>	<b>50.3</b>	<b>(69.5)</b>	<b>(62.9)</b>
Gross Profit Margin	30.8%	32.0%	(1.2% pts)		29.8%	31.9%	(2.1% pts)	

(\*) For comparative purposes only, this shows the effect of using the respective exchange rates of the regional currencies in 4Q 2014 and FY2014 in translating 4Q 2015 and FY2015 results.

(\*\*) Excludes Exceptional Item, which comprises a one-time exceptional charge of US\$19.4 million and costs incurred by the Group pertaining to the resolution of the dispute with Barry Callebaut.

In a separate announcement to the SGX, the Group reported 4Q 2015 revenue of US\$100.0 million which culminated in revenue of US\$405.9 million for the full year ended 31 December 2015 (“**FY2015**”), a Y-o-Y decline of 19.5%, in the Group’s USD reporting currency. For FY2015, the Group recorded an EBITDA of US\$37.5 million and PATMI of US\$15.3 million, lower Y-o-Y by 53.7% and 69.5% respectively.

During 2015, we encountered several factors that contributed to the disappointing results achieved. These factors, include the slowdown in the Indonesian economy; the weakness in the Indonesian Rupiah; the need for increased spending on advertising and promotion; declines in our gross profit margin during the full year (despite a marked improvement in 4Q); the closure of our distribution business in Singapore; an increase in our effective tax rate; and a one-time exceptional charge arising from the settlement of the dispute with Barry Callebaut.

On 28 August 2015, Petra Foods announced the settlement of the dispute with Barry Callebaut over the sale of its Cocoa Ingredients business to the latter on 30 June 2013 (the “**settlement**”). On the back of the settlement, a one-time exceptional charge of US\$19.4 million was recognised in addition to other costs incurred in relation to the resolution of the dispute. As a result, the Group generated a loss after tax and minority interests of US\$4.7 million in FY2015.

Despite the headwinds for our business in FY2015, the Group generated Free Cash Flow of US\$18.4 million through tighter working capital management and our strategy of focusing capital expenditure on the most critical and immediately income generating projects.

### Revenue Breakdown by Segment

Financial Highlights (US\$ Million)	3 months ended 31 December				Full Year ended 31 December			
	4Q2015	4Q2014	Change (%)	Change in Constant Exchange Rates (%)*	FY2015	FY2014	Change (%)	Change in Constant Exchange Rates (%)*
Indonesia	73.2	95.8	(23.6)	(11.8)	285.0	365.3	(22.0)	(12.3)
Regional Markets	26.8	35.4	(24.3)	(10.7)	120.9	138.7	(12.9)	(3.7)
<b>Total Revenue</b>	<b>100.0</b>	<b>131.2</b>	<b>(23.8)</b>	<b>(11.5)</b>	<b>405.9</b>	<b>504.0</b>	<b>(19.5)</b>	<b>(9.9)</b>

\* For comparative purposes only, this shows the effect of using the respective exchange rates of the regional currencies in 4Q 2014 and FY2014 in translating 4Q 2015 and FY2015 results.

### Indonesia

Consumer spending in Indonesia, where the Group has over 50% share of the chocolate confectionery market, continued to be impacted by the slowing economy, the high inflationary environment and persistent weakness in the Rupiah. The challenging operating environment resulted in a 23.6% and 22.0% decline in revenue in 4Q 2015 and FY2015 respectively. In constant currency terms, sales were lower by 11.8% and 12.3% in 4Q 2015 and FY2015 respectively.

Despite the challenging environment, we continued to make targeted and disciplined investments in our brands and in 2015, this meant increasing our spending to build our core brands and focusing on where we believe the strongest growth opportunities were. In addition, to position our business for long term success, we continued investing in our sales force and in our route-to-market capabilities to develop a more agile and faster distribution network to respond to the constantly evolving retail landscape in Indonesia and also our regional markets.

### **Regional Markets - Philippines and Malaysia**

In its US dollar reporting currency, revenue declined 24.3% and 12.9% in 4Q 2015 and FY2015 respectively. In constant currency terms and excluding discontinued Agency Brands and the cessation of the Singapore distribution business, the Group managed to achieve a revenue growth in its regional markets by 1.0% and 9.6% in 4Q 2015 and FY2015 respectively.

During the year, Philippines led the Group's growth with double digit growth achieved. This was a result of the Group's strategic investments in brand development programmes and the extension of product categories in the Group's Own Brands portfolio.

On 10 June 2015, the Group had announced the cessation of its distribution business in Singapore due to the relatively small scale the business was able to achieve. This will, however, not detract the Group from growing its Own Brands presence in the Singapore market through the appointment of a local distributor.

### ***Business Outlook***

Although we expect the challenging operating environment to persist in our core markets, we nevertheless remain cautiously optimistic about the prospect for 2016. The Group's focus is to work closely with our trade customers and partners to deliver sustainable growth by ensuring that our brands are always available, properly displayed and at the right price points. We will continue to accelerate innovation for Own Brands as this remains a key priority for us with our objective to reach many more consumers by developing innovative products that will address different consumer needs at different price points.

In addition to growing our sales, we will focus on driving cost efficiencies through our organization. Through this combination of top line focus and stepped up productivity efforts, we expect, barring unforeseen circumstances, the Group's financial performance in FY2016 to be better than FY2015. We will further strengthen the Group's cash flow generation through tighter working capital management and focused capital expenditures.

### ***Cash Distribution via a Capital Reduction***

Given the Company's present capital structure and lack of distributable reserves, the most efficient way to return this cash to Shareholders is via the Court sanctioned Capital Reduction.

Mr John Chuang, Group Chief Executive Officer, said:

*“Having resolved the dispute with Barry Callebaut we are now able to determine how much of the net sales proceeds are excess to our medium term needs and can be returned to shareholders. We are therefore pleased to be able to announce the plan to return \$60 million to our shareholders.*

*2015 was a “Perfect Storm” in terms of the alignment of a number of negative factors that affected our business: Indonesia’s economic weakening, the depreciation of the Rupiah, the pressure on our margins, the closure of our Singapore business and the final settlement with Barry Callebaut. However we have withstood that battering and ended the year with a modest profit from our ordinary business operations, US\$119 million of cash for the Group and a significant upward trend in our margins.*

*Looking to the future, to stay ahead of our competitors, we never rest in our relentless pursuit to build a stronger business, strengthen our brand portfolio and find new paths to grow. To sustain profitable growth over the longer term, we are taking actions to further strengthen our business to capture the significant growth opportunities. These include ensuring our organization is efficiently aligned to our growth plans; investing to grow our key brands in our markets; and taking measured steps to strengthen our distribution infrastructure. We will prudently invest to build capacity and capabilities where there are clear expansion opportunities and we will also increase our productivity and efficiency targets in our manufacturing and distribution infrastructure.”*

*He continued: “Underpinned by the robust emerging economies in the region and its fast growing middle income classes, we are optimistic demand our products will continue to grow in the marketplace. At the same time, we remain steadfast in our efforts to grow our quality earnings by exploring opportunities to enter new markets and to extend our product categories.”*

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## **ABOUT PETRA FOODS LIMITED**

Headquartered in Singapore and listed on the SGX-ST since 5 November 2004, Petra Foods 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. Petra Foods 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.

Petra Foods was awarded the top spot in the annual Singapore Enterprise 50 Award in 2003. In addition, it was recognised as the "Best Newly Listed Singapore Company in 2004" in AsiaMoney's Best Managed Companies Poll 2004. Petra Foods 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, Petra Foods 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.

The Group's Chief Executive Officer, Mr John Chuang, was also recognised for his leadership and management of Petra Foods. He was named "Best Chief Executive Officer" at the 2011 Singapore Corporate Awards and "Businessman of the Year" at the 2012 Singapore Business Awards.

In November 2013, Petra Foods was awarded Runner-Up in the "Most Transparent Company Award" for the food and beverage sector at the Securities Investors Association (Singapore) Investors' Choice Awards.

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***Issued by August Consulting on behalf of Petra Foods Limited***

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