



May 2, 2011

Fabrinet Announces Third Quarter 2011 Financial Results

BANGKOK, May 02, 2011 (BUSINESS WIRE) -- Fabrinet (NYSE: FN), a provider of precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers of complex products, today announced its financial results for the third quarter of fiscal 2011, ended March 25, 2011.

Fabrinet reported total revenue of \$194.9 million for the third quarter of fiscal 2011, an increase of 42% compared to revenue of \$136.9 million for the comparable period in fiscal 2010. GAAP net income in the third quarter was \$16.7 million, or \$0.49 per diluted share, an increase of 23% compared to GAAP net income of \$13.5 million, or \$0.43 per diluted share in the third quarter of 2010. Non-GAAP net income in the third quarter was \$19 million, or \$0.55 per diluted share, an increase of 38% compared to non-GAAP net income of 13.7 million, or \$0.44 per share in the third quarter of 2010.

Tom Mitchell, Chief Executive Officer of Fabrinet, said, "We are pleased to have achieved record revenues and earnings in the third quarter, as well as our 45th consecutive quarter of profitability. We saw strength across all product areas and business segments, with solid growth from the optical communications as well as lasers and sensor segments. Amid industry challenges, our results remain consistent and strong with revenue and earnings performance above expectations."

Business Outlook

Based on information available as of May 2, 2011, Fabrinet is issuing guidance for the fourth quarter of fiscal 2011 as follows:

The Company expects fourth quarter revenue to be in the range of \$173 million to \$178 million. GAAP net income per share is expected to be in the range of \$0.44 to \$0.46 with expected non-GAAP net income per share of \$0.46 to \$0.48, based on approximately 34.5 million fully diluted, weighted average shares outstanding.

Conference Call Information

What: Fabrinet third quarter 2011 financial results conference call

When: Monday, May 2, 2011

Time: 5:00 p.m. ET

Live Call: (866) 356-3095, domestic
(617) 597-5391, international
Passcode 74084656

Replay: (888) 286-8010, domestic
(617) 801-6888, international
Passcode 73187621

Webcast: investor.fabrinet.com (live and replay)

This press release and any other information related to the call will also be posted on Fabrinet's website at investor.fabrinet.com. A recorded version of this webcast will be available approximately two hours after the call and will be archived on Fabrinet's website for a period of one year.

About Fabrinet

Fabrinet provides precision optical, electro-mechanical and electronic manufacturing services to original equipment manufacturers of complex products, such as optical communication components, modules and sub-systems, industrial lasers and sensors. Fabrinet offers a broad range of advanced optical and electro-mechanical capabilities across the entire manufacturing process, including process design and engineering, supply chain management, manufacturing, final assembly and test. Fabrinet focuses on production of high complexity products in any mix and any volume. Fabrinet maintains engineering and manufacturing resources and facilities in Thailand, the People's Republic of China and the United States. For more information visit: <http://www.fabrinet.com>.

Safe Harbor

"Safe Harbor" Statement Under U.S. Private Securities Litigation Reform Act of 1995

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include all of the statements under the "Business Outlook" section relating to our forecasted operating results for the fourth quarter of fiscal year 2011. These forward-looking statements involve risks and uncertainties, and actual results could vary materially from these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: less customer demand for our products and services than forecasted; less growth in the optical communications, industrial lasers and sensors markets than we forecast; difficulties expanding into additional markets, such as the semiconductor processing, biotechnology, metrology and material processing markets; increasing competition in the optical manufacturing services markets; difficulties in delivering products and services that compete effectively from a price and performance perspective; our reliance on a limited number of customers and suppliers; difficulties in accurately forecasting demand for our services; difficulties in managing our operating costs; difficulties in managing and operating our business in

multiple countries (including in the U.S., Thailand and the People's Republic of China) and other important factors as described in Fabrinet reports and documents filed from time to time with the Securities and Exchange Commission (SEC), including the factors described under the sections captioned "Risk Factors" in our quarterly report on Form 10-Q, filed on February 2, 2011 and our annual report on Form 10-K, filed on September 8, 2010. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

Use of Non-GAAP Financials

The Company refers to the non-GAAP financial measures cited above in making operating decisions because they provide meaningful supplemental information regarding the Company's ongoing operational performance. Non-GAAP net income excludes stock-based compensation expenses, executive separation costs and our costs in connection with our recent follow-on offering. We have excluded these items in order to enhance investors' understanding of our ongoing operations. The use of these non-GAAP financial measures has material limitations because they should not be used to evaluate our company without reference to their corresponding GAAP financial measures. As such, we compensate for these material limitations by using these non-GAAP financial measures in conjunction with GAAP financial measures.

These non-GAAP financial measures are used to: (1) measure company performance against historical results, (2) facilitate comparisons to our competitors' operating results, and (3) allow greater transparency with respect to information used by management in financial and operational decision making. In addition, these non-GAAP financial measures are used to measure company performance for the purposes of determining employee incentive plan compensation.

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Unaudited Condensed Consolidated Balance Sheets

As of March 25, 2011 and June 25, 2010

<i>(in thousands of U.S. dollars, except share data)</i>	March 25, 2011	June 25, 2010
Assets		
Current assets		
Cash and cash equivalents	\$ 116,419	\$ 84,942
Receivable from initial public offering	-	26,319
Trade accounts receivable, net	121,085	101,514
Inventories, net	108,052	98,146
Investment in leases	243	12
Deferred income taxes	758	696
Deposit for land purchase	-	2,162
Prepaid expenses and other current assets	2,775	2,535
Total current assets	<u>349,332</u>	<u>316,326</u>
Non-current assets		
Property, plant and equipment, net	72,402	57,651
Intangibles, net	1,009	1,220
Investment in leases	1,381	20
Deferred income taxes	1,981	1,626
Deposits and other non-current assets	626	582
Total non-current assets	<u>77,399</u>	<u>61,099</u>
Total assets	<u>\$ 426,731</u>	<u>\$ 377,425</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Long-term loans from banks, current portion	\$ 4,968	\$ 6,008
Trade accounts payable	97,066	102,977
Construction payable	511	-
Income tax payable	3,628	2,521
Accrued payroll, profit sharing and related expenses	8,024	3,895
Accrued expenses	4,057	3,567
Other payables	7,446	5,935
Total current liabilities	<u>125,700</u>	<u>124,903</u>
Non-current liabilities		
Long-term loans from banks, non-current portion	10,996	14,377
Severance liabilities	4,234	3,456
Other non-current liabilities	1,941	2,526
Total non-current liabilities	<u>17,171</u>	<u>20,359</u>
Total liabilities	<u>142,871</u>	<u>145,262</u>
Commitments and contingencies		
Shareholders' equity		
Preferred shares (5,000,000 shares authorized, \$0.01 par value; no shares issued and outstanding as of March 25, 2011 and June 25, 2010, respectively)	-	-
Ordinary shares (500,000,000 shares authorized, \$0.01 par value;		

34,179,327 shares and 33,751,730 shares issued and outstanding as of March 25, 2011 and June 25, 2010, respectively)	342	337
Additional paid-in capital	58,804	54,786
Accumulated other comprehensive loss	-	-
Retained earnings	224,714	177,040
Total shareholders' equity	<u>283,860</u>	<u>232,163</u>
Total Liabilities and Shareholders' Equity	<u>\$ 426,731</u>	<u>\$ 377,425</u>

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Unaudited Condensed Consolidated Statements of Operations

For the three and nine months ended March 25, 2011 and March 26, 2010

	Three Months Ended		Nine Months Ended	
	March 25, 2011	March 26, 2010	March 25, 2011	March 26, 2010
<i>(in thousands of U.S. dollars)</i>				
Revenues				
Revenues	\$ 194,851	\$ 114,406	\$ 553,222	\$ 296,543
Revenues, related party	-	22,484	-	51,758
Total revenues	194,851	136,890	553,222	348,301
Cost of revenues	(169,528)	(117,761)	(482,460)	(303,339)
Gross profit	25,323	19,129	70,762	44,962
Selling, general and administrative expenses	(7,516)	(4,356)	(18,294)	(11,965)
Operating income	17,807	14,773	52,468	32,997
Interest income	143	62	355	254
Interest expense	(81)	(108)	(282)	(397)
Foreign exchange gain/(loss), net	342	(97)	(706)	(131)
Other income	65	-	80	-
Income before income taxes	18,276	14,630	51,915	32,723
Income taxes	(1,613)	(1,119)	(4,241)	(1,974)
Net income	<u>\$ 16,663</u>	<u>\$ 13,511</u>	<u>\$ 47,674</u>	<u>\$ 30,749</u>
Earnings per share				
Basic	\$ 0.49	\$ 0.44	\$ 1.41	\$ 1.00
Diluted	\$ 0.49	\$ 0.43	\$ 1.39	\$ 0.98

Weighted average number of ordinary shares outstanding

(thousands of shares)

Basic	33,969	30,901	33,833	30,821
Diluted	34,232	31,365	34,345	31,340

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Reconciliation of GAAP measures to non-GAAP measures

(in thousands of U.S. dollars, except per share data)

(unaudited)

	Three Months Ended				Nine Months Ended			
	March 25, 2011	March 25, 2011	March 26, 2010	March 26, 2010	March 25, 2011	March 25, 2011	March 26, 2010	March 26, 2010
GAAP measures	16,663	0.49	13,511	0.43	47,674	1.39	30,749	0.98
Items reconciling GAAP net income & EPS to non-GAAP net income & EPS:								
Related to cost of revenues:								
Share-based compensation expenses	440	0.01	79	0.00	918	0.03	227	0.01
Total related to gross profit	<u>440</u>	<u>0.01</u>	<u>79</u>	<u>0.00</u>	<u>918</u>	<u>0.03</u>	<u>227</u>	<u>0.01</u>

Related to selling, general and administrative expenses:								
Share-based compensation expenses	798	0.02	105	0.00	1,740	0.05	267	0.01
Executive separation cost	438	0.01	-	-	438	0.01	-	-
Follow-on offering expenses	617	0.02	-	-	617	0.02	-	-
Total related to selling, general and administrative expenses	<u>1,853</u>	<u>0.05</u>	<u>105</u>	<u>0.00</u>	<u>2,795</u>	<u>0.08</u>	<u>267</u>	<u>0.01</u>
Total related to net income & EPS	<u>2,293</u>	<u>0.07</u>	<u>184</u>	<u>0.01</u>	<u>3,713</u>	<u>0.11</u>	<u>494</u>	<u>0.02</u>
Non-GAAP measures	<u>18,956</u>	<u>0.55</u>	<u>13,695</u>	<u>0.44</u>	<u>51,387</u>	<u>1.49</u>	<u>31,243</u>	<u>0.99</u>
Shares used in computing diluted net income per share								
GAAP diluted shares		34,232		31,365		34,345		31,340
Non-GAAP diluted shares		34,431		31,442		34,494		31,406

SOURCE: Fabrinet

Investor Contact:

ICR, Inc.
Abhi Kanitkar, 617-956-6735
ir@fabrinet.com

or

Media Contact:

Crowley Communications
Pam Crowley, 408-529-9655
pamc@crowleypr.com