Food Empire Holdings Limited
31 Harrison Road, #08-01, Food Empire Business Suites, Singapore 369649
Phone: (65) 6622 6900 · Fax: (65) 6744 8977
Company Registration No.: 200001282G
Incorporated in the Republic of Singapore

Food Empire's 1H2020 net profits increased marginally with higher profit margin of 9.9% in spite of severe Covid-19 lockdown disruptions in core markets in 2Q 2020

- Net profit after tax was higher at US$13.2 million mainly due to lower expenses as a result of tighter cost controls.
- Decrease in revenue was largely driven by lower sales in the Group's Russia and South Asia markets due to severe lockdowns experienced in 2Q2020.
- The Group expects business activities to pick up with the gradual easing of lockdowns in most markets although operating environment remains uncertain.

Singapore, 11 August 2020 – Food Empire Holdings Limited ("**Food Empire**", together with its subsidiaries, the "**Group**"), announced today its financial results for the first half year ended 30 June 2020 ("**1H2020**").

Financial Highlights

US$'000	1H2020	1H2019	Change (%)
Revenue	132,947	138,490	(4.0)
Gross profit	53,006	54,058	(1.9)
Selling and marketing expenses	(19,462)	(19,694)	(1.2)
General and administrative expenses	(16,922)	(18,897)	(10.5)
Foreign exchange (loss)/gain	(1,102)	836	NM
Net profit after tax	13,215	13,070	1.1
Gross profit margin (%)	39.9	39.0	0.9 pp
Net profit margin (%)	9.9	9.4	0.5 pp

Revenue by Markets

US$'000	1H2020	1H2019	Change (%)
Russia	48,307	54,391	(11.2)
Ukraine, Kazakhstan and CIS	33,764	32,676	3.3
South-East Asia	39,564	38,268	3.4
South Asia	3,070	4,340	(29.3)
Other Markets	8,242	8,815	(6.5)
Total Revenue	**132,947**	**138,490**	**(4.0)**

Revenue for 1H2020 was US$132.9 million, a year-on-year ("**yoy**") decrease of 4.0% as compared to US$138.5 million revenue recorded in 1H2019. This was mainly due to lower sales in the Group's Russia and South Asia markets as a result of severe disruption caused by national lockdowns implemented by many governments to stem the spread of the Covid-19 pandemic, coupled with the closure of the Group's underperforming Myanmar market at the end of 2019. This was partially offset by higher revenue recorded by the Group's Kazakhstan and Vietnam markets mainly due to increase in sales volume and selling price.

Gross profit was US$53.0 million, down 1.9% as compared to the prior corresponding period, with gross profit margin of 39.9%.

Selling and marketing expenses decreased by US$0.2 million from US$19.7 million in 1H2019 to US$19.5 million. The decrease was mainly due to lower manpower cost.

General and administrative expenses decreased by US$2.0 million from US$18.9 million in 1H2019 to US$16.9 million. The decrease was mainly attributed to lower transportation, travelling and manpower cost.

Pursuant to the above, the Group's net profit after tax for 1H2020 was US$13.2 million, a yoy increase of 1.1%. Net profit margin was 0.5 percentage points ("**pp**") higher, at 9.9% for 1H2020.

The Group generated net operating cash flows of US$14.1 million in 1H2020 as compared to US$14.9 million in 1H2019 mainly due to higher working capital requirement, bringing its cash and cash equivalents to US$46.6 million.

Impact on Businesses

Amid the ongoing Covid-19 crisis, the Group ended 1H2020 on a resilient note. It registered a 4.0% decline in Group revenue compared to 1H2019, which was mainly attributed to lockdowns imposed by many governments to contain the spread of the Covid-19 pandemic. Although overall revenue was lower, the impact was not uniform across markets due to differences in the timing and duration of lockdowns experienced in affected countries. Our Vietnam market is one of the earliest to emerge from a nation-wide lockdown in April 2020 and sales have slowly reverted to pre Covid-19 levels. On the other hand, lockdown has continued or is only partially lifted in other markets such as Russia, Ukraine and Kazakhstan where incidences of Covid-19 infection remain high.

Our first Instant Coffee plant in India has resumed normal production with the Central government loosening some lockdown measures since June 2020. However, it faces intermittent logistical and procurement challenges as some seriously affected States decide to continue with stringent lockdown conditions. The second Instant Coffee plant project, which was initially scheduled to commence production in middle of FY2020 will be delayed until international travel restrictions are lifted for our European supplier engineers to travel over to test and commission the plant. In Malaysia, where the Group operates Non-Dairy Creamer, Snacks and Instant beverage mix manufacturing facilities, most movement restrictions have been lifted since the beginning of June 2020, which allow factories to resume a more normalised state of operations.

Due to the ravaging effect of Covid-19 on consumer spending brought about by multiple national lockdowns in 2Q2020, the Group experienced softer local and overseas orders for most products for 2Q2020. As a result, factory activities were slower and utilisation has declined during the period. As the Group enters into the second half of 2020, the Group expects business activities to pick up with the gradual easing in most markets although general operating environment will remain uncertain with the possibility of a second or third wave of infections leading to a reintroduction or extension of lockdowns into 2H2020, such as the case of our Kazakhstan market.

The Group continues to monitor and coordinate through its Covid-19 management committee working together with our network of representatives in different countries. The Group has complied with all

Covid-19 regulatory requirements in all markets and does not expect any material impact on any of the Group's current contractual obligations.

Impact on Financials

The Group recorded 1H2020 with unaudited net profit after tax of US$13.2 million, eking out a marginal improvement over 1H2019 on the back of a US$5.5 million drop in Group's revenue. The increase was the result of lower expenses due to tighter cost controls and firmer gross margin due to a series of gradual price increases of its products in some key markets with effect from April 2020.

In 2Q2020, Russian Ruble recovered from its lows recorded in March 2020 due to firmer crude oil prices brought about by the settlement of a dispute between Russia and the Organisation of Petroleum Exporting Countries over oil production cuts to keep in line with an exceptionally poor global demand for oil. We experienced some foreign exchange gain for the Group for 2Q2020 partially offsetting the foreign exchange loss recorded in 1Q2020. Looking ahead, Russian Ruble may be affected by oil prices or other political conflicts, which may result in foreign exchange impact in future quarters.

The Group's cash position remains strong. As at 30 June 2020, its cash and cash equivalents stood at US$46.6 million. The Group also generated positive net cash flows from operations for 1H2020 of US$14.1 million and is confident of maintaining sufficient capital to support existing businesses and for its future expansion plans, including its Greenfield projects.

The Group will continue to monitor its trade receivables and cash flows tightly as the Covid-19 situation evolves. For the 1H2020, the Group has not experienced any abnormality in its collection of outstanding trade receivables. The Group's Business heads in all major markets are keeping a close watch on changes in consumer behaviour and collection patterns and will make the necessary adjustments to ensure business continuity.

Summary

As of now, there is no clear sign of an end to the Covid-19 pandemic as the world races to find a medical solution for the global health emergency. In the interim, many countries have implemented national lockdowns to contain the outbreak. Some countries that experienced initial bout of success at containment are now experiencing new waves of outbreak as their economy reopens, often necessitating the reintroduction of lockdown measures. However, these successive lockdowns are generally less severe than earlier ones as governments balance a fine line between lives and livelihoods. The Group expects a pattern of gradual and uneven reopening of economies to continue until vaccines against the Covid-19 virus are developed and widely available to the public.

The Group has demonstrated business resilience against the early challenges posed by the first wave of the Covid-19 pandemic. Looking ahead, the prospect of intermittent lockdowns, rising unemployment and volatile currency conditions is likely to persist, which may have a negative impact to the Group in the form of lower sales volume. We are unable to quantify the financial impact as it will depend on economic and policy variables beyond our sphere of influence. Nonetheless, the Board is confident that the Group's businesses will remain sustainable, backed by strong brands, experienced management team and a strong balance sheet. We expect the Group to be able to fulfil its near-term obligations, meet its debt covenants and service its debt obligations.

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Cautionary Statement

Shareholders are advised to read this press release and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

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About Food Empire Holdings Limited (Bloomberg Code: FEH SP)

SGX Mainboard-listed Food Empire Holdings (Food Empire) is a global branding and manufacturing company in the food and beverage sector. Its products include instant beverage products, frozen convenience food and snack food.

Food Empire's products are exported to over 50 countries, in markets such as Russia, Vietnam, Ukraine, Kazakhstan, Central Asia, the Middle East, China, Mongolia and North America. The Group has 23 offices worldwide and operates 7 manufacturing facilities in Malaysia, India, Vietnam, Russia and Ukraine.

Food Empire's products include a wide variety of beverages, such as regular and flavoured coffee mixes and cappuccinos, chocolate drinks and flavoured fruit teas. It also markets instant cereal mixes and assorted frozen convenience foods, as well as produces and markets potato crisps.

Food Empire's strength lies in its proprietary brands – including MacCoffee, Café PHO, Petrovskaya Sloboda, Klassno, Kracks and OrienBites. MacCoffee – the Group's flagship brand – has been consistently ranked as the leading 3-in-1 instant coffee brand in the Group's core market of Russia, Ukraine and Vietnam. The Group employs sophisticated brand building activities, localised to match the flavour of the local markets in which its products are sold.

Since its public listing in 2000, Food Empire has won numerous accolades and awards including being recognised as one of the "Most Valuable Singapore Brands" by IE Singapore (now known as Enterprise Singapore), while MacCoffee has been ranked as one of "The Strongest Singapore Brands". Forbes Magazine has twice named Food Empire as one of the "Best under a Billion" companies in Asia and the company has also been awarded one of Asia's "Top Brand" by Influential Brands. Food Empire was also presented with the Sustainability Award at the SIAS 20th Investors' Choice Award in Singapore. For more information, please refer to: http://www.foodempire.com

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