



Food Empire’s 9M2020 net profit excluding foreign exchange loss improved by 11.2%

- Net profit after tax was lower at US\$19.5 million in 9M2020 mainly due to higher foreign exchange loss.
- Decrease in revenue was largely driven by lower sales in the Group’s Russia, Vietnam, Ukraine and South Asia markets due to lockdowns experienced in 9M2020.
- The Group expects business conditions to remain uncertain and challenging amidst resurgence of Covid-19 in parts of the world where we operate.

Singapore, 11 November 2020 – Food Empire Holdings Limited (“**Food Empire**”, together with its subsidiaries, the “**Group**”), provided business updates for the 3rd quarter (“**3Q2020**”) and nine months ended 30 September 2020 (“**9M2020**”).

Financial Highlights

US\$'000	3Q2020	3Q2019	Change (%)	9M2020	9M2019	Change (%)
Revenue	70,292	76,802	(8.5)	203,239	215,292	(5.6)
Gross profit	26,522	30,531	(13.1)	79,528	84,590	(6.0)
Selling and marketing expenses	(7,952)	(12,359)	(35.7)	(27,414)	(32,053)	(14.5)
General and administrative expenses	(8,827)	(9,007)	(2.0)	(25,749)	(27,904)	(7.7)
Foreign exchange loss	(2,752)	(961)	186.4	(3,854)	(125)	2,983.2
Net profit after tax	6,258	7,778	(19.5)	19,473	20,848	(6.6)
Gross profit margin (%)	37.7	39.8	(2.1pp)	39.1	39.3	(0.2pp)
Net profit margin (%)	8.9	10.1	(1.2pp)	9.6	9.7	(0.1pp)



Revenue by Markets

US\$'000	3Q2020	3Q2019	Change (%)	9M2020	9M2019	Change (%)
Russia	27,543	29,302	(6.0)	75,850	83,693	(9.4)
Ukraine, Kazakhstan and CIS	16,015	17,445	(8.2)	49,779	50,121	(0.7)
South-East Asia	20,158	23,024	(12.4)	59,722	61,292	(2.6)
South Asia	1,861	2,138	(13.0)	4,931	6,478	(23.9)
Other Markets	4,715	4,893	(3.6)	12,957	13,708	(5.5)
Total Revenue	70,292	76,802	(8.5)	203,239	215,292	(5.6)

Revenue for 9M2020 was US\$203.2 million, a year-on-year (“yoy”) decrease of 5.6% as compared to US\$215.3 million revenue recorded in 9M2019. This was mainly due to lower sales contribution in the Group’s Russia, Vietnam, Ukraine and South Asia markets resulting from severe disruption caused by lockdowns implemented by many governments to stem the spread of the Covid-19 pandemic, coupled with the depreciation of the Russian Ruble, Ukrainian Hryvnia against the US dollar together with the closure of the Group’s Myanmar operations at the end of 2019. This was partially offset by higher revenue recorded by the Group’s Kazakhstan market and the Group’s non-dairy creamer plant and snacks manufacturing facility in Malaysia.

On a quarterly basis, the Group’s revenue in 3Q2020 was US\$70.3 million, a yoy decrease of 8.5% as compared to 3Q2019. This was largely due to lower sales contribution from the Group’s Russia and Ukraine markets resulting from the depreciation of the Russian Ruble, Ukrainian Hryvnia against the US dollar and lower sales from Covid-19 disruptions in the Vietnam market (South-East Asia segment).

For 9M2020, gross profit was US\$79.5 million, down 6.0% as compared to prior corresponding period, with gross profit margin of 39.1%. For 3Q2020, gross profit decreased by 13.1% to US\$26.5 million, with gross profit margin of 37.7%.

Selling and marketing expenses decreased by US\$4.7 million from US\$32.1 million in 9M2019 to US\$27.4 million. For 3Q2020, selling and marketing expenses decreased by US\$4.4 million from US\$12.4 million in 3Q2019 to US\$8.0 million. The decrease was mainly due to lower advertising and promotion expenses and manpower cost.

General and administrative expenses decreased by US\$2.2 million from US\$27.9 million in 9M2019 to US\$25.7 million. The decrease was mainly attributed to lower office upkeep related expenses, travelling and manpower cost. For 3Q2020, general and administrative expenses remained relatively stable at US\$8.8 million as compared to US\$9.0 million in 3Q2019.

Foreign exchange loss increased by US\$3.7 million from US\$0.1 million in 9M2019 to US\$3.8 million in 9M2020. For 3Q2020, foreign exchange loss increased by 186.4% from US\$1.0 million in 3Q2019 to US\$2.8 million.

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



Pursuant to the above, the Group's net profit after tax for 9M2020 was US\$19.5 million, a yoy decrease of 6.6%. For 3Q2020, the Group's net profit after tax decreased by 19.5% to US\$6.3 million. Net profit margins were 9.6% and 8.9% for 9M2020 and 3Q2020 respectively.

The Group generated net operating cash flows of US\$22.3 million in 9M2020 as compared to US\$25.0 million in 9M2019 mainly due to higher working capital requirement, bringing its cash and cash equivalents to US\$54.3 million.

Covid-19 Impact on Businesses and Operations

For 9M2020, the Group registered a 5.6% decline in Group revenue compared to 9M2019 as new waves of Covid-19 infection affected many of the markets that the Group operates in. In our Russia and Ukraine markets, incidences of infection soared in September after the summer holidays. Limited lockdowns have persisted, and in some cases, intensified to halt uncontrolled community spread. In our Vietnam market, the Authorities enacted targeted lockdowns in 3Q2020 after a cluster of infections was found in the Danang district, which took a toll on the tourism dependent economy.

The Group ended 9M2020 with unaudited net profit after tax of US\$19.5 million, a US\$1.4 million drop over 9M2019. The decrease was mainly due to higher foreign exchange losses recorded for 9M2020 as compared to 9M2019. The Russian Ruble ended at 79.7 Ruble per US dollar on 30 September 2020 as compared to 61.9 Ruble per US dollar on 31 December 2019 on fears of renewed geo-political tensions with the West.

The Group will continue to monitor its trade receivables and cash flows tightly as the Covid-19 situation shows no signs of abatement. As at 9M2020, we have not experienced significant slowdown in collectibles that may be of concern to Management. The Group's Business heads in all major markets are keeping a close watch on changes in consumer buying behaviour and trade receivables collection patterns and will make the necessary adjustments to ensure business continuity.

The Group's cash position remains strong. As at 30 September 2020, its cash and cash equivalent stood at US\$54.3 million. The Group also generated positive net cash flow from operations for 9M2020 of US\$22.3 million and is confident of maintaining sufficient capital to support existing businesses and for its future expansion plans, including its Greenfield projects.

Our first Instant Coffee plant in India has resumed full production with the Central government progressively rolling back movement control measures since June 2020 to restart its economy. Our second Instant Coffee plant project is expected to be ready for trial production by 1Q2021 with the lifting of some restrictions for overseas business travel to India, which will enable engineers from our European suppliers to enter the country to test and commission the plant.

In Malaysia, where the Group operates Non-Dairy Creamer, Snacks and Instant Coffee Mix packing facilities, most movement restrictions have been lifted since the beginning of June 2020. However, in view of the re-emergence of new clusters in Malaysia, target Movement Control Orders were enacted in the affected regions. The Group's operations remain largely unaffected up to now.

The Group continues to monitor the evolving Covid-19 situation and coordinate responses through its Covid-19 management committee working together with a network of representatives in different

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



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.

Summary

3Q2020 saw new and in some instances, more severe waves of infections re-emerging worldwide, particularly in Europe and parts of the Northern hemisphere as it enters into cooler months. Authorities have reintroduced new lockdown measures of varying severity. It is likely that a pattern of gradual and uneven reopening of economies, punctuated by periods of lockdowns, will persist for the foreseeable future until effective vaccines against the Covid-19 virus are developed and widely available to the public.

Looking ahead, business conditions will remain uncertain and challenging amidst resurgence of Covid-19 in parts of the world where we operate. The Group will continue to navigate the challenges arising from the crisis by adjusting to new norms and evolving market conditions, intermittent lockdowns, rising unemployment and volatile currency conditions. We are unable to quantify the financial impact as it will depend on variables beyond our control.

Despite the difficult operating conditions, the Board is confident that its businesses will remain sustainable, backed by an experienced management team and a strong Balance Sheet. We expect that the Group will be able to fulfil its near-term obligations, meet its debt covenants and service its debt obligations.

As the Covid-19 situation remains fluid we will keep shareholders informed of any material developments as they unfold.

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.

- End -

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



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>

**Issued for and on behalf of Food Empire Holdings Limited.
by Financial PR**

Mr Ngo Yit Sung, yitsung@financialpr.com.sg

Ms Yong Jing Wen, jingwen@financialpr.com.sg

Tel: (65) 6438 2990 Fax: (65) 6438 0064