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

Food Empire reports record revenue of US$320.6 million in FY2021 amid another challenging year of Covid-19 restrictions and supply chain disruptions

- Group revenue crossed US$300 million for the first time, increasing 17.5% to US$320.6 million as each of the Group's key markets registered growth in FY2021 despite challenging operating environment.
- Margins was impacted mainly due to inflationary pressure on commodity and freight coupled with supply chain disruption.
- Proposed dividend of 2.2 Singapore cents per ordinary share, comprising a first and final dividend of 1.62 Singapore cent per ordinary share and a special dividend of 0.58 Singapore cent per ordinary share.
- Moving forward, the Group will continue to focus on strengthening revenue growth and optimising profitability while closely monitoring the situation including costs and supply chain.
- The management is closely monitoring the fluid Russia and Ukraine conflict and will do its best to manage.

Singapore, 24 February 2022 – Food Empire Holdings Limited (**"Food Empire"**, together with its subsidiaries, the **"Group"**), announced today its financial results for the second half ("**2H2021**") and full year ended 31 December 2021 ("**FY2021**").

Financial Highlights

US$'000	2H2021	2H2020	Change (%)	FY2021	FY2020	Change (%)
Revenue	171,010	140,024	22.1	320,626	272,971	17.5
Gross profit	45,730	51,640	(11.4)	93,838	104,646	(10.3)
Selling and marketing expenses	(16,017)	(16,534)	(3.1)	(34,797)	(35,996)	(3.3)
General and administrative expenses	(17,094)	(17,864)	(4.3)	(33,617)	(34,786)	(3.4)
Foreign exchange loss	(846)	(1,191)	(29.0)	(291)	(2,293)	(87.3)
EBITDA	18,569	20,772	(10.6)	38,321	41,344	(7.3)
Net profit before tax	12,121	16,201	(25.2)	26,314	32,235	(18.4)
Net profit after tax	7,869	13,239	(40.6)	19,340	26,454	(26.9)
Gross profit margin (%)	26.7	36.9	(10.2pp)	29.3	38.3	(9.0pp)
Net profit margin (%)	4.6	9.5	(4.9pp)	6.0	9.7	(3.7pp)

NM denotes not meaningful

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Revenue by Markets

US$'000	2H2021	2H2020	Change (%)	FY2021	FY2020	Change (%)
Russia	60,434	51,248	17.9	114,915	99,555	15.4
Ukraine, Kazakhstan and CIS	36,492	34,069	7.1	71,713	67,833	5.7
South-East Asia	52,003	41,449	25.5	96,779	81,013	19.5
South Asia	11,528	4,154	177.5	17,393	7,224	140.8
Other Markets	10,553	9,104	15.9	19,826	17,346	14.3
Total Revenue	171,010	140,024	22.1	320,626	272,971	17.5

Revenue for FY2021 was US$320.6 million, a year-on-year ("yoy") increase of 17.5% as compared to US$273.0 million in FY2020 mainly due to higher sales contribution from the Group's South-East Asia, Russia and South Asia markets resulting from the gradual normalisation of economic activities in most markets following the initial wave of harsh Covid-19 restrictions in FY2020.

On a half-yearly basis, the Group's revenue in 2H2021 was US$171.0 million, an increase of 22.1% as compared to 2H2020. The growth in revenue was mainly contributed by the Group's South-East Asia, Russia and South Asia markets.

The Group's net profit after tax decreased from US$26.5 million in FY2020 to US$19.3 million in FY2021, mainly due to lower margin arising from higher commodity costs and record high ocean freight rates. The Group also recorded higher depreciation expenses arising from commencement of the Group's new freeze dry coffee plant in India. For 2H2021, the Group's net profit after tax decreased from US$13.2 million in 2H2020 to US$7.9 million.

For FY2021, selling and marketing expenses decreased by 3.3% from US$36.0 million in FY2020 to US$34.8 million. For 2H2021, selling and marketing expenses decreased by 3.1% from US$16.5 million in 2H2020 to US$16.0 million. The decrease was mainly due to lower advertising and promotional expenses as a result of pandemic restrictions, but was partially offset by higher manpower cost.

For FY2021, general and administrative expenses decreased by 3.4% from US$34.8 million in FY2020 to US$33.6 million. For 2H2021, general and administrative expenses decreased by 4.3% from US$17.9 million in 2H2020 to US$17.1 million. The decrease was mainly attributed to lower staff cost.

The Group generated net operating cash flows of US$14.6 million in FY2021 as compared to US$33.4 million in FY2020, bringing its cash and cash equivalents to US$60.6 million as at 31 December 2021.

The Board of Directors proposed a first and final dividend of 1.62 Singapore cent per ordinary share and a special dividend of 0.58 Singapore cent per ordinary share. The proposed first and final dividend and special dividend are subject to shareholders' approval at the forthcoming Annual General Meeting scheduled for 22 April 2022. If approved, the first and final dividend and special dividend will be paid on 20 May 2022.

Covid-19 Impact on Businesses and Operations & Outlook

For FY2021, the Group registered a 17.5% yoy increase in Group's revenue compared to that of FY2020 as most of the Group's core markets continued to grow from strength to strength amid the gradual reopening of the global economy. As more governments worldwide begin to adopt an endemic approach to living with Covid-19 as a result of increasing vaccination rates, the easing of restrictions has allowed the Group's production facilities to move closer to full scale production to cater to robust market demand for our products.

The increasing daily infection rates witnessed in the Group's main markets of Russia and Ukraine have threatened the recovery of their economies. In spite of the challenges, sales remain resilient and demand has improved. However, the performance is overshadowed by the on-going conflict between Russia and Ukraine.

Although the current raft of sanctions are unlikely to have a direct or immediate impact on business prospects in these markets, it has an adverse impact on the volatility of the exchange rates of the Russian Ruble and Ukrainian Hryvnia and further exert inflationary pressure on commodities prices and energy costs. While details of prospective sanctions remain unclear, such new developments will compound the challenges faced by the Group and present a more difficult operating environment going forward. In spite of the difficulties brought by the current conflict, the Group remains confident on consumer demand for all of its markets including Russia and Ukraine having local manufacturing facilities to service changing demands and trends. The management is closely monitoring the fluid situation and will do its best to manage.

In Vietnam, the Authorities have also lifted many of its restrictions since October 2021, where they have allowed manufacturing facilities to resume full capacity production while also allowing schools to reopen in February 2022. The easing of restrictions has resulted in easing of pent-up demand by consumers that was built up during the restrictions.

In Malaysia, the situation is expected to improve as Authorities have restated their commitment to treating the virus as an endemic disease and refrain from reintroducing lockdown restrictions while continuing to increase vaccination rates. The Group has commenced construction activities to expand its non-dairy creamer factory

In the Group's India market, operation has stabilised for both the Group factories in spite of Covid-19 waves. Demand for the Group's newly commissioned freeze dry coffee plant has demonstrated strong growth and is expected to reach optimal production capacity.

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Summary

The emergence of a new Covid-19 variant has once again created roadblocks to global economic recovery. The rise in energy prices have also contributed to overall inflation, putting pressure on food prices[1]. However, most countries are looking to avoid reintroducing Covid-19 lockdown measures and embrace an endemic approach to manage the Covid-19 situation. As such, the Group expects more stable demand and lesser disruptions going forward.

While the disruptions to the global supply chain due to the pandemic continues to pose a challenge to the Group, we have demonstrated resilience and adaptability to overcome it to ensure continuation of our production and deliver revenue growth. The challenging operating environment is expected to persist into the first half of 2022, with high freight prices and logistic issues easing in the second half of 2022[2]. Overall, the Group remains positive of its long term prospects.

Despite the uncertain geopolitical situation between Russia and Ukraine and volatile operating conditions, the Board is confident that the Group's businesses in different markets will remain resilient, backed by an experienced management team and a healthy balance sheet. We expect that the Group will be able to fulfill its near-term obligations, meet its debt covenants and service its debt obligations.

We will keep shareholders informed of any material developments as and when 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 –

[1] IMF Blog - Global Inflation Pressures Broadened on Food and Energy Price Gains (https://www.jamaicaobserver.com/business-observer/wto-signals-end-to-shipping-crisis_234104)

[2] The Financial Times - Maersk expects supply chain problems to ease this year (https://www.ft.com/content/d24aad7f-fd44-4f39-90ad-8dc82df38c36)

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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 8 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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Issued for and on behalf of Food Empire Holdings Limited. by
Financial PR
Mr Romil Singh, romil@financialpr.com.sg
Mr Maverick Lim, maverick@financialpr.com.sg
Tel: (65) 6438 2990 Fax: (65) 6438 0064