Food Empire Holdings Limited
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(65) 6622 6900 Fax: (65) 6744 8977
Company Registration No.: 200001282G
Incorporated in the Republic of Singapore

Food Empire reports another year of record profit

Proposes record dividend payout

- Net profit after tax was higher at US$26.5 million in FY2020 mainly due to higher profitability from the Group's South-East Asia segment and lower expenses as a result of tighter cost controls.
- Decrease in revenue was largely driven by lower sales in the Group's Russia, Ukraine and South Asia markets due to lockdowns experienced in FY2020 coupled with the devaluation of Russian Ruble and Ukrainian Hryvnia against the US dollar.
- The Group expects business activities to pick up with the gradual easing of lockdowns in most markets although operating environment remains fluid.
- Proposes a record first and final dividend of 2.2 Singapore cents per ordinary share.

Singapore, 24 February 2021 – Food Empire Holdings Limited ("**Food Empire**", together with its subsidiaries, the "**Group**"), announced today its financial results for the second half ("**2H2020**") and full year ended 31 December 2020 ("**FY2020**").

Financial Highlights

US$'000	**2H20**	**2H19**	**Change (%)**	**FY20**	**FY19**	**Change (%)**
Revenue	140,024	150,080	(6.7)	272,971	288,570	(5.4)
Gross profit	51,640	57,697	(10.5)	104,646	111,755	(6.4)
Selling and marketing expenses	(16,534)	(21,806)	(24.2)	(35,996)	(41,500)	(13.3)
General and administrative expenses	(17,864)	(20,961)	(14.8)	(34,786)	(39,858)	(12.7)
Foreign exchange (loss)/gain	(1,191)	(226)	427.0	(2,293)	610	NM
Net profit after tax	13,239	12,626	4.9	26,454	25,696	2.9
Gross profit margin (%)	36.9	38.4	(1.5pp)	38.3	38.7	(0.4pp)
Net profit margin (%)	9.5	8.4	1.1pp	9.7	8.9	0.8pp

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Revenue by Markets

US$'000	2H20	2H19	Change (%)	FY20	FY19	Change (%)
Russia	51,248	58,179	(11.9)	99,555	112,570	(11.6)
Ukraine, Kazakhstan and CIS	34,069	36,698	(7.2)	67,833	69,374	(2.2)
South-East Asia	41,449	39,999	3.6	81,013	78,267	3.5
South Asia	4,154	4,324	(3.9)	7,224	8,664	(16.6)
Other Markets	9,104	10,880	(16.3)	17,346	19,695	(11.9)
Total Revenue	**140,024**	**150,080**	**(6.7)**	**272,971**	**288,570**	**(5.4)**

Revenue for FY2020 was US$273.0 million, a year-on-year ("**yoy**") decrease of 5.4% as compared to US$288.6 million revenue recorded in FY2019. This was mainly due to lower sales contribution in the Group's Russia, 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 devaluation of the Russian Ruble, Ukrainian Hryvnia and Kazakhstan Tenge 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 snacks manufacturing facility and non-dairy creamer plant in Malaysia.

On a half-yearly basis, the Group's revenue in 2H2020 was US$140.0 million, a decrease of 6.7% as compared to 2H2019. This was largely due to lower sales contribution from the Group's Russia and Ukraine markets due to the devaluation of Russian Ruble and Ukrainian Hryvnia against the US dollar.

For FY2020, gross profit was US$104.6 million, down 6.4% as compared to prior corresponding period, with gross profit margin of 38.3%. For 2H2020, gross profit decreased by 10.5% to US$51.6 million, with gross profit margin of 36.9%.

Selling and marketing expenses decreased by US$5.5 million from US$41.5 million in FY2019 to US$36.0 million. For 2H2020, selling and marketing expenses decreased by US$5.3 million from US$21.8 million in 2H2019 to US$16.5 million. The decrease was mainly due to lower advertising and promotion expenses, and manpower cost.

General and administrative expenses decreased by US$5.1 million from US$39.9 million in FY2019 to US$34.8 million. For 2H2020, general and administrative expenses decreased to US$17.9 million as compared to US$21.0 million in 2H2019. The decrease was mainly due to lower manpower cost, travelling and office related expenses.

For FY2020, foreign exchange loss was at US$2.3 million as compared to foreign exchange gain of US$0.6 million in FY2019. For 2H2020, foreign exchange loss increased by 427.0% from US$0.2 million in 2H2019 to US$1.2 million.

Pursuant to the above, the Group's net profit after tax for FY2020 was US$26.5 million, a yoy increase of 2.9%. The increase was mainly due to higher profitability from the Group's South-East Asia market and lower expenses as a result of tighter cost controls. For 2H2020, the Group's net profit after tax increased by 4.9% to US$13.2 million. Net profit margins were 9.7% and 9.5% for FY2020 and 2H2020 respectively.

The Group's cash and cash equivalents increased to US$69.0 million as at 31 December 2020, compared to US$54.7 million as at 31 December 2019 mainly due to lower capital expenditure and partly offset by higher working capital requirement and lower bank borrowings.

The Board of Directors proposed a first and final dividend of 2.2 Singapore cents per ordinary share. The proposed first and final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting scheduled on 26 April 2021. If approved, the first and final dividend will be paid on 21 May 2021.

Covid-19 Impact on Businesses and Operations

The Group ended an extraordinarily difficult FY2020 with a strong performance. The Group's revenue declined 5.4% as compared to FY2019, which was mainly attributable to a series of lockdowns in many of its markets that caused widespread disruption to supply chains and drastically reduced footfall in retail outlets coupled with devaluation of currencies in some of the Group's key markets. Despite the drop in Group's revenue, unaudited profit after tax for the year increased by 2.9%. This increase was the result of the Group's efforts to actively manage the crisis by optimising its products mix and rationalising sales related expenses, as well as its continuous commitment to brand building, product development and expanding distribution network. We were also affected by foreign currencies losses in FY2020 as compared to foreign currencies gains in FY2019. In our key Russia market, the average exchange rate was 72.0 Ruble per US dollar in FY2020 as compared to 64.7 Ruble per US dollar in FY2019.

Since the onset of the Covid-19 pandemic, the Group has been keeping a close watch on changes in consumer behaviour and debt collection patterns and put in place measures to ensure business continuity. As at 31 December 2020, the Group's Balance Sheet and cash position remain strong. We generated positive net cash flows from operations for FY2020 and are confident of maintaining sufficient capital to support existing businesses and future expansion plans.

Operating conditions in our major markets are challenging due to the prevalence of infections in most places, which often necessitate an introduction or continuation of some form of containment action. In the Group's Russia and Ukraine markets, incidences of infections peaked around December 2020 after a post-summer holidays surge. In the Group's Vietnam market, which was relatively unscathed by Covid-19 in 2020, an outbreak of infections in January 2021 forced the local authorities to impose movement restrictions in affected provinces.

In Malaysia, where the Group operates Non-Dairy Creamer, Snacks and Coffee mix packing facilities, Movement Control Orders have again been re-introduced in most states since January 2021 due to growing Covid-19 infection among its migrant workers. The Group has taken strict steps to ensure the safety of its staff and operations remain largely unaffected.

In India, where the Group operates Instant Coffee manufacturing facilities, the Covid-19 situation is steadily improving. Its first plant has reported uninterrupted production since 2H2020. The second Instant Coffee plant is currently in the final stages of testing and is on track to commence commercial production in 2Q2021.

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

A year after the emergence of the Covid-19 virus, which escalated into a pandemic which had infected more than 100 million people worldwide, Covid-19 remains a clear and present danger affecting lives and businesses. Following an early wave of national lockdowns, authorities in most of our markets have resorted to a more accommodative measure of localised lockdowns to mitigate the threat to lives with damages to the economy.

For 1H2021, operating environment is likely to remain challenging as we expect a pattern of gradual and uneven reopening of economies to continue for the foreseeable future, coupled with tight capacity in the freight markets. On a more positive note, recent approval of a number of Covid-19 vaccines by Health Authorities worldwide may portend the beginning of an end to the pandemic. The Group is hopeful that sustained global efforts to develop and implement more effective healthcare solutions, together with an increase in vaccine adoption rate may roll back some of the containment efforts and result in a more normal operating environment for 2H2021. However, the situation with the pandemic is still fluid and local lockdowns may continue to be implemented when there is a rise in infection rates.

Despite the difficult operating conditions, the Group has demonstrated a high degree of business resilience, backed by an experienced Management team with a strong track record of delivering results under adverse circumstances.

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.

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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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