

## Food Empire’s FY2018 revenue jumps 5.5% yoy with higher gross margin of 39.0%

- Increase in revenue and gross profit to US\$284.3 million and US\$110.9 million respectively driven by sales volume growth in the Group’s key markets.
- Net profit after tax was 33.3% higher yoy at US\$17.7 million mainly due to higher sales and margin coupled with the absence of one off impairment charges, partly offset by higher operating expenses.
- Group to continue its focus on entrenching market presence in core markets whilst developing new products and markets.

**Singapore, 28 February 2019** – Food Empire Holdings Limited (“**Food Empire**”, together with its subsidiaries, the “**Group**”), a global branding and manufacturing company in the food and beverage sector, announced today its financial results for the financial year ended 31 December 2018 (“**FY2018**”).

### Financial Highlights

US\$’000	4Q2018	4Q2017	Change (%)	FY2018	FY2017	Change (%)
Revenue	69,973	74,100	(5.6)	284,330	269,450	5.5
Gross profit	26,791	28,481	(5.9)	110,857	103,211	7.4
Selling and distribution expenses	(11,547)	(11,434)	1.0	(47,847)	(39,482)	21.2
General and administrative expenses	(13,435)	(9,165)	46.6	(41,430)	(34,659)	19.5
Net profit/(loss) after tax	2,612	(3,303)	NM	17,731	13,299	33.3
Gross profit margin (%)	38.3	38.4	(10 bps)	39.0	38.3	70 bps

Revenue for FY2018 was US\$284.3 million, a year-on-year (“**yoy**”) increase of 5.5% compared with the US\$269.5 million revenue recorded in FY2017. This is attributable to sales volume growth in the Group’s markets, namely Russia, Ukraine, Kazakhstan and Indochina. Specifically, for Russia, despite the higher sales volume, the depreciation of the Russian Ruble against the US dollar resulted in lower translated revenue of US\$113.3 million overall.

## Revenue by Markets

US\$'000	4Q2018	4Q2017	Change (%)	FY2018	FY2017	Change (%)
Russia	27,122	28,979	(6.4)	113,305	116,702	(2.9)
Ukraine	7,727	6,229	24.0	25,684	21,844	17.6
Kazakhstan and CIS	9,271	11,474	(19.2)	37,104	35,067	5.8
Indochina	10,841	10,842	(0.0)	50,384	37,898	32.9
Others	15,012	16,576	(9.4)	57,853	57,939	(0.1)
<b>Total Revenue</b>	<b>69,973</b>	<b>74,100</b>	<b>(5.6)</b>	<b>284,330</b>	<b>269,450</b>	<b>5.5</b>

Gross profit was US\$110.9 million, up US\$7.6 million or 7.4% as compared to prior corresponding period. Similarly, gross profit margin improved by 70 bps, from 38.3% in FY2017 to 39.0% in FY2018.

In line with the growth in sales, selling and distribution expenses also increased by US\$8.3 million or 21.2% from US\$39.5 million in FY2017 to US\$47.8 million in FY2018. The increase was attributed to higher expenses incurred for advertising and promotion activities coupled with higher manpower costs.

General and administrative expenses increased by US\$6.7 million, from US\$34.7 million in FY2017 to US\$41.4 million in FY2018. The increase was mainly attributed to higher allowance for doubtful debts, manpower and transportation costs.

During the period under review, the Group recorded a foreign exchange loss of US\$3.5 million in FY2018 as compared to a foreign exchange gain of US\$1.1 million in FY2017. As the Group is economically exposed to different markets, it will be affected by the fluctuation in currencies against the US dollar.

Pursuant to the above and the absence of impairment of investment, loan and share of losses by its Korean associate, Caffebene, coupled with higher sales and margin, the Group's net profit after tax for FY2018 was US\$17.7 million, a yoy increase of 33.3%.

As at 31 December 2018, the Group's balance sheet remained healthy with cash and cash equivalents amounting to US\$42.2 million.

Commenting on the Group's results, Mr. Tan Wang Cheow, Executive Chairman of Food Empire said, **"The Group's performance remains stable despite challenging global economic environment. This is largely due to our strong focus on brand building and purposeful effort to diversify our markets and products. Going forward, we will continue to explore various initiatives to ensure the Group is well positioned for sustainable future growth."**

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## **Outlook**

On a full fiscal year basis, global macroeconomic uncertainty and heightened trade policy tensions have resulted in undue fluctuation of currencies in the Group's key markets of Russia, Ukraine, Kazakhstan and CIS countries. Accordingly, these have impacted the Group's financial results although performance in local currency terms remains strong.

For the upcoming period, the focus shall be on entrenching market presence in core markets whilst developing new products and markets with the objective of generating sustainable future growth through diversification. The Group is also working on the construction of its second India coffee plant to ensure it meets the delivery milestones.

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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, confectionery and snack food.

Food Empire's products are exported to over 50 countries, in markets such as Russia, Ukraine, Kazakhstan, Central Asia, China, Indochina, the Middle East, Mongolia and the US. The Group has 24 offices (representative and liaison) worldwide. The Group operates 8 manufacturing facilities in Malaysia, India, Myanmar, 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 breakfast cereal, potato crisps and assorted frozen convenience foods.

Food Empire's strength lies in its proprietary brands – including MacCoffee, Petrovskaya Sloboda, Klassno, Hyson, OrienBites and Kracks. 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 Kazakhstan. 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.

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 Pte Ltd**

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