

Food Empire achieves higher y-o-y revenue for 9M2021 in spite of Covid-19 lockdowns and supply chain disruptions

- Revenue increased by 11.2% to US\$226.1 million as each of the Group's core markets registered growth in 9M2021 despite challenging operating conditions.
- Margin pressure due to high commodity costs and record high ocean freight rates, coupled with shortage of shipping container slots resulting in supply chain delays.
- Group remains cautiously optimistic for the year and will work towards balancing revenue growth and profitability in view of cost pressures and supply chain issues.

Singapore, 9 November 2021 – Food Empire Holdings Limited (“**Food Empire**”, together with its subsidiaries, the “**Group**”), provided business updates for the 3rd quarter (“**3Q2021**”) and nine months ended 30 September 2021 (“**9M2021**”).

Financial Highlights

US\$'000	3Q2021	3Q2020	Change (%)	9M2021	9M2020	Change (%)
Revenue	76,449	70,292	8.8	226,065	203,239	11.2
Gross profit	19,638	26,522	(26.0)	67,746	79,528	(14.8)
Selling and marketing expenses	(7,272)	(7,952)	(8.6)	(26,052)	(27,414)	(5.0)
General and administrative expenses	(8,112)	(8,827)	(8.1)	(24,635)	(25,749)	(4.3)
Foreign exchange (loss)/gain	(201)	(2,752)	(92.7)	354	(3,854)	NM
EBITDA	7,373	9,517	(22.5)	27,126	30,089	(9.8)
Net profit before tax	4,186	7,368	(43.2)	18,379	23,402	(21.5)
Net profit after tax	3,090	6,258	(50.6)	14,561	19,473	(25.2)
Gross profit margin (%)	25.7	37.7	(12.0pp)	30.0	39.1	(9.1pp)
Net profit margin (%)	4.0	8.9	(4.9pp)	6.4	9.6	(3.2pp)

NM denotes not meaningful

Revenue by Markets

US\$'000	3Q2021	3Q2020	Change (%)	9M2021	9M2020	Change (%)
Russia	31,696	27,543	15.1	86,177	75,850	13.6
Ukraine, Kazakhstan and CIS	16,856	16,015	5.3	52,077	49,779	4.6
South-East Asia	19,091	20,158	(5.3)	63,867	59,722	6.9
South Asia	4,323	1,861	132.3	10,188	4,931	106.6
Other Markets	4,483	4,715	(4.9)	13,756	12,957	6.2
Total Revenue	76,449	70,292	8.8	226,065	203,239	11.2

Revenue for 9M2021 was higher across all key markets at US\$226.1 million, a year-on-year (“**yoY**”) increase of 11.2% as compared to US\$203.2 million in 9M2020. This was mainly due to higher sales contribution from the Group’s Russia, South-East Asia and South-Asia markets resulting from higher demand and expanded product range.

On a quarterly basis, the Group’s revenue for 3Q2021 increased by 8.8% to US\$76.4 million mainly from the Group’s Russia and South-Asia markets.

The Group’s net profit after tax decreased from US\$19.5 million in 9M2020 to US\$14.6 million in 9M2021 mainly due to lower margin arising from higher commodity costs, record high ocean freight rates and higher depreciation expenses arising from commencement of the Group’s new freeze dry coffee plant in India. For 3Q2021, the Group’s net profit after tax decreased from US\$6.3 million in 3Q2020 to US\$3.1 million mainly due to lower margin partly offset by lower exchange loss.

For 9M2021, selling and marketing expenses decreased by 5.0% from US\$27.4 million in 9M2020 to US\$26.1 million. For 3Q2021, selling and marketing expenses decreased by 8.6% from US\$8.0 million in 3Q2020 to US\$7.3 million. The decrease was mainly due to lower advertising and promotional expenses partly offset by higher manpower cost.

For 9M2021, general and administrative expenses decreased by 4.3% from US\$25.7 million in 9M2020 to US\$24.6 million. For 3Q2021, general and administrative expenses decreased by 8.1% from US\$8.8 million in 3Q2020 to US\$8.1 million. The decrease was mainly attributed to lower manpower cost and inventory obsolescence provision.

For 9M2021, foreign exchange gain was US\$0.4 million as compared to foreign exchange loss of US\$3.9 million in 9M2020. For 3Q2021, foreign exchange loss was US\$0.2 million as compared to foreign exchange loss of US\$2.8 million in 3Q2020.

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The Group generated net operating cash flows of US\$10.2 million in 9M2021 as compared to US\$22.3 million in 9M2020, bringing its cash and cash equivalents to US\$60.2 million as at 30 September 2021.

Covid-19 Impact on Businesses and Operations

For 9M2021, the Group registered a 11.2% yoy increase in Group's revenue compared to that of 9M2020 as most of our core markets delivered growth as they gradually recovered from the severe lockdown conditions and restrictions in the previous year. Even though the governments globally are pushing for growth in vaccination rates and trying hard to live with the virus as an endemic, some of our markets have witnessed resurgence of the virus and rise in infections and are facing the prospect of new rounds of lockdowns and social restrictions. We are also affected by the shortage of container slots and port congestion resulting in supply chain delays.

The Group's main Russia market and the Ukraine market recently witnessed new waves of Covid-19 infections after few months of gradual recovery. While sales have been resilient in these markets in 9M2021, the situation currently remains fluid as both the countries face a spike in daily infection rates. Recently, both countries reported record daily deaths and Russia imposed a short lockdown to curb the spread of the virus.

The Group's Vietnam market delivered good growth in the first half of 2021 but was impacted by a surge in Covid-19 infections in 3Q2021, which saw Authorities implementing strict national lockdown from July to August 2021. However, the situation has improved since the middle of September as the country's vaccination rate gradually increases.

In our Malaysia market, the extension of the Movement Control Order resulted in labour shortage and supply chain disruptions. As a result of the extended restrictions, the completion of the Group's second non-dairy creamer project is delayed to 2023. The Group is pleased to update that it has completed its vaccination programme for all workers.

In our India market, the daily rates of Covid-19 cases has continued to decline and as the country's vaccination rate increases, the operational situation has improved drastically. With better operational environment, the Group increased capacity in its spray dry coffee plant to capture the growing demand for its products. Moreover, the Group's new freeze dry coffee plant has started commercial production and capacity utilisation is improving on a quarterly basis.

In view of the recent Covid-19 situation in some of our markets, the Group may face challenging operational conditions. Also, we may encounter currency volatility in core markets such as Russia, Ukraine, Kazakhstan and CIS countries, which could impact the results of the Group.

However, the Group keenly monitors the evolving and dynamic Covid-19 situation and coordinates responses through its Covid-19 management committee to mitigate the impact on its operations. The Group has complied with all necessary Covid-19 regulatory requirements in all of our operational markets and does not expect any material impact on any of the Group's current contractual obligations.

Summary

The economic recovery of countries worldwide continues to be affected by the newer and more virulent strains of Covid-19 viruses forcing governments to reintroduce and extend lockdown measures. However, as countries remain committed to increase vaccination rates and in achieving endemic living,

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the Group expects a pattern of gradual easing of restrictions in some of our markets to persist for the foreseeable future.

The Group has demonstrated that it can successfully navigate the challenges arising from this ongoing pandemic and volatile market conditions by registering revenue growth. While the emergence of new strains, inflationary pressure on commodity and packaging costs, as well as rising ocean freight rates will continue to pose challenges to the Group, the high costs arising from the logistics issue are expected to normalise in the coming months.¹ The Group remains optimistic of its longer-term prospects.

Despite the uncertain and volatile operating conditions, the Board is confident that the Group's businesses 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.

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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¹ Jamaica Observer - WTO signals end to shipping crisis (https://www.jamaicaobserver.com/business-observer/wto-signals-end-to-shipping-crisis_234104)

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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>

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