

Food Empire's 9M2018 revenue grows 9.7% yoy with higher gross margin of 39.2%

- Increase in revenue and gross profit to US\$214.4 million and US\$84.1 million respectively driven by sales volume growth in the Group's key markets.
- Net profit after tax was 8.9% lower yoy at US\$15.1 million due to higher expenses incurred for advertising and promotion activities, higher manpower cost and foreign exchange losses recorded partly offset by lower tax expenses.
- New product launches, market diversification efforts and greater optimisation of efficiency levels at snack manufacturing plant in Malaysia to be the Group's key focus going forward.

Singapore, 14 November 2018 – 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 nine months ended 30 September 2018 (“**9M2018**”).

Financial Highlights

US\$'000	3Q2018	3Q2017	Change (%)	9M2018	9M2017	Change (%)
Revenue	72,899	70,102	4.0	214,358	195,350	9.7
Gross profit	28,199	26,364	7.0	84,066	74,730	12.5
Selling and distribution expenses	(11,968)	(8,764)	36.6	(36,300)	(28,048)	29.4
Net profit after tax	5,761	7,289	(21.0)	15,119	16,602	(8.9)
Gross profit margin (%)	38.7	37.6	110 bps	39.2	38.3	90 bps

Revenue for 9M2018 was US\$214.4 million, a year-on-year (“**yoy**”) increase of 9.7% compared with the US\$195.4 million revenue recorded in 9M2017. 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\$86.2 million overall.

Revenue by Markets

US\$'000	3Q2018	3Q2017	Change (%)	9M2018	9M2017	Change (%)
Russia	28,711	31,142	(7.8)	86,183	87,723	(1.8)
Ukraine	6,182	5,837	5.9	17,958	15,615	15.0
Kazakhstan and CIS	9,413	6,715	40.2	27,833	23,593	18.0
Indochina	13,056	10,550	23.8	39,543	27,056	46.2
Others	15,537	15,858	(2.0)	42,841	41,363	3.6
Total Revenue	72,899	70,102	4.0	214,358	195,350	9.7

Gross profit was US\$84.1 million, up US\$9.3 million or 12.5% as compared to prior corresponding period. Similarly, gross profit margin improved by 90 bps, from 38.3% in 9M2017 to 39.2% in 9M2018.

Selling and distribution expenses also increased by US\$8.3 million or 29.4% from US\$28.0 million in 9M2017 to US\$36.3 million in 9M2018. The increase was attributed to higher expenses incurred for advertising and promotion activities coupled with higher manpower costs.

During the period under review, the Group recorded a foreign exchange loss of US\$2.7 million in 9M2018 as compared to a foreign exchange gain of US\$1.1 million in 9M2017. 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, the Group's net profit after tax for 9M2018 was US\$15.1 million, a yoy decline of 8.9%. This decline had been partly offset by lower tax expenses.

As at 30 September 2018, the Group's balance sheet remained healthy with cash and cash equivalents amounting to US\$37.0 million.

Commenting on the Group's results, Mr. Tan Wang Cheow, Executive Chairman of Food Empire said, **“Despite the slight dip in profitability for the period concluded, the core operating performance of the Group's key markets remains healthy with growth registered in local currency terms. Going forward, new product launches and market diversification efforts shall continue to be key focus areas for the Group.”**

Outlook

The fluctuation of currencies in the Group's key markets of Russia, Ukraine, Kazakhstan, CIS countries and Malaysia will continue to impact the results of the Group. This is especially so given global macroeconomic uncertainty and a period of rising political tensions.

For the coming fiscal year, the Group's expansion into new geographical markets outside that of its core markets remains a key focal area for the Group. By building on its successful market diversification efforts in Indochina, the Group seeks to increase long-term shareholder value by replicating its successful business model to other growth regions of Asia.

As for the Group's snack manufacturing plant at Malaysia, the Group will continue to increase the utilisation rate so as to reduce production costs and further improve profitability.

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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 60 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 eight 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-in1 instant coffee brand in the Group's core market of Russia, Ukraine and Kazakhstan. The Group employs sophisticated brand building activities, localized 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 recognized as one of the "Most Valuable Singapore Brands" by IE 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>

Issued for and on behalf of Food Empire Holdings Limited.
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