



PRESS RELEASE

JAPFA LTD

391B Orchard Road, #18-08, Ngee Ann City Tower B, Singapore 238874
Tel: (65) 6735 0031 Fax: (65) 6735 4465
Company Registration No: 200819599W

9M2023 Financial Results

Performance back on track in 3Q2023 after a weak first-half

- Profitability is back on track, where in 3Q2023 alone, Japfa recorded an Operating Profit of US\$101.8 million from stronger feed margins as well as higher selling prices in poultry and swine.
- 9M2023 performance affected by weaker first half of the year, as inflation dampened consumer purchasing power.
- Although Core PATMI without Forex for 9M2023 was negative of US\$17.0 million, Japfa recorded an EBITDA of US\$195.8 million.

Singapore, 31 July 2023 – Leading industrialised agri-food company Japfa Ltd (“Japfa” or, together with its subsidiaries, the “Group”) today reported financial results for the first nine months ended 30 September 2023 (“9M2023”).

In 3Q2023, there was a clear trend reversal in profitability. PT Japfa Tbk performance improved with an upswing in operating profit in 3Q2023 compared to the previous four quarters. APO-Vietnam recorded a turnaround with an operating profit of US\$12.1 million in 3Q2023 compared to operating losses in the previous three quarters. As a result, in 3Q2023 alone, the Group operating profit stood at US\$101.8 million, with a solid contribution from feed, which remains a strong pillar of profitability, and higher selling prices of poultry in Indonesia and swine in Vietnam.

In 9M2023, operating profit was US\$105.6 million, with the biggest contribution from 3Q2023. In the first half of the year, margins were compressed by weak selling prices arising from challenging global conditions. Against this backdrop, Group’s revenue remained broadly stable at US\$3.29 billion compared to US\$3.31 a year ago (-0.6% y-o-y). Although Core PATMI without Forex was negative at US\$17.0 million, the Group EBITDA stood at a respectable US\$195.8 million in 9M2023.

- **PT Japfa Tbk:** Good performance from feed, with higher margins. Poultry prices, which have been weak since 3Q2022 due to a prolonged supply and demand imbalance in the market, have started to improve since 2Q2023 following adjustments in supply. In 9M2023, the segment delivered a profit, albeit lower year-on-year (“y-o-y”), with notable improvements in the last quarter.
- **Animal Protein Other (“APO”):** Turnaround in operating profit in 3Q2023 in Vietnam on the back of higher selling prices and a tangible reduction in production costs. Despite recent improvements, 9M2023 results were still impacted by a margin contraction in Vietnam, as selling prices remained low for most of the period under review. The cost related to streamlining initiatives in Vietnam also weighed down the performance. The segment delivered an operating loss in 9M2023.

Tan Yong Nang, Chief Executive Officer of Japfa, said: “We are encouraged by the recent improvement in profitability. In the 3Q2023 alone, we recorded an operating profit of US\$101.8 million arising from stronger margins in poultry feed, as well as higher selling prices of both poultry in Indonesia and swine in Vietnam. We are demonstrating once again our strength in feed, as well as our ability to readily harness any market adjustments thanks to our large scale, vertical integration, product quality and operational excellence. As we navigate the ups and downs of the market, we remain focused on achieving our long-

term goals and capture the growth potential for protein consumption in emerging Asia for the benefit of all our stakeholders”.

The plans launched in 1Q2023 to mitigate risks, increase efficiency and streamline operations in both PT Japfa Tbk and APO-Vietnam are delivering results.

Although we are pleased with the recent improvement in profitability that, together with the sound prospects for protein consumption, bode well for Japfa, we are conscious of the potential disruptions from the recent geopolitical tensions in the Middle East, which may have an impact on the general economic conditions.

Financial Highlights¹

US\$ million	9M2022	9M2023	Change
Revenue	3,313.9	3,293.2	-0.6%
Operating profit	162.7	105.6	n/m
Operating Profit Margin (%)	4.9%	3.2%	-1.7 pts
EBITDA ²	257.8	195.8	-24.0%
Profit After Tax (“PAT”)	69.1	6.0	n/m
Net Profit Attributable to Owners (“PATMI”)	21.9	(22.7)	n/m
Core PATMI without Forex ³	44.1	(17.0)	n/m

Segmental Results

PT Japfa Tbk

PT Japfa Tbk recorded a positive performance, as reflected by the progressive improvement in operating profit. 9M2023 results, however, were lower y-o-y due to a weaker first half of 2023.

Revenue in Rupiah terms increased mainly due to higher feed selling prices. In US dollar term, however, revenue remained unchanged at US\$2,501.0 (-0.3% y-o-y) due to a depreciation of the Indonesian Rupiah against the US dollar.

The segment’s profitability improved in the 3Q2023, however the 9M2023 profitability was still affected by the weak performance recorded in the first half of 2023. PT Japfa Tbk posted an operating profit of US\$129.7 million in 9M2023, compared to an operating profit of US\$162.4 million in 9M2022 (-20.2% y-o-y). The EBITDA stood at US\$188.7 million, down 16.5% compared to US\$226.2 million in 9M2022. The PAT was US\$60.1 million compared to US\$98.1 million a year ago.

Feed remains a pillar of profitability and PT Japfa Tbk continue to pass on raw material prices increases in feed selling prices. In addition, feed margins have shown signs of improvement.

The segment’s profitability decreased y-o-y due to lower Day-Old-Chick (“DOC”) selling prices, partially cushioned by improvements in the performance of the Downstream business as well as a reduction in G&A expenses resulting from the cost savings initiatives introduced in 2023.

DOC and broiler prices are prone to fluctuation according to demand and supply dynamics, with effects on our selling prices and profitability. Global macro-economic factors, such as the inflationary pressures

¹AustAsia Group Ltd (“AAG”), our Dairy segment in China, ceased to be a subsidiary of Japfa Ltd following the distribution in specie of AAG shares on 30 December 2022. For comparative purposes, the dairy segment has been excluded from 9M2022 financial results.

²We define “EBITDA” as profit before tax, excluding interest income, finance costs, depreciation and amortisation expenses. We also exclude (a) foreign exchange adjustments gains/(losses), (b) changes in fair value of derivatives relating to foreign exchange hedging, and (c) fair value of biological assets.

³We derived “Core PATMI” from “Profit Attributable to Owners of the Parent, Net of Tax” by excluding (a) changes in fair value of biological assets (net of tax), other than gains/(losses) from the sale of beef in China, (b) changes in fair value of derivatives, and (c) extraordinary items, attributable to the owners of the parent. “Core PATMI w/o Forex” is an estimate derived from Core PATMI by excluding foreign exchange gains/losses (before tax) attributable to the owners of the parent. We have not made an estimate of the tax impact on foreign exchange gain/losses.

affecting consumer purchasing power since 2022, add to market dynamics. After supply adjustments from 2Q2023, DOC and broiler prices rebounded, resulting in an improvement in profitability. As reflected by the quarterly oscillation of PT Japfa Tbk operating profit over the last four years, the cyclicity tends to even-out over time. In the course of 2023, operating profit is showing significant improvement quarter by quarter.

Animal Protein Other (“APO”)

Despite some recent improvements, APO results for 9M2023 were still impacted by the weak performance in the first half. Revenue remained stable at US\$772.5 million in 9M2023 compared to US\$775.3 million a year ago (-0.4% y-o-y). The APO segment posted an operating loss of US\$33.4 million in 9M2023, compared to an operating loss of US\$6.0 million 9M2022, primarily from the margin contraction in Vietnam operations. The EBITDA was a negative US\$1.6 million, compared to a positive EBITDA of US\$24.2 million a year ago. The segment posted a negative PAT of US\$53.0 million, compared to a negative PAT of US\$30.7 million in 9M2022.

APO-Vietnam

Feed remains a steady contributor to profitability.

Swine operations, excluding streamlining costs, broke even in 9M2023, as the weak swine selling prices of the first half of 2023 are showing signs of improvement. At the same time, production costs have also been progressively brought down, proving that the plan to streamline swine operations and recalibrate growth announced in 1Q2023 is successful. It should be noted that in 9M2023 the segment incurred in US\$13.3 million cost as part of the growth recalibration plan in Vietnam.

However, poultry did not fare so well as both broiler and colour birds recorded an operating loss in 9M2023, with low selling prices due to weaker consumer demand arising from sluggish general economic conditions.

Profitability of APO-Vietnam is improving as reflected by the turnaround in operating profit of US\$12.1 million in 3Q2023 compared to operating losses in the previous three quarters. This improvement resulted from increases in both swine and poultry prices as well as a tangible reduction in production costs. Since 2022, APO-Vietnam results were affected by low selling prices and increasing production costs. In addition, African Swine Fever also impacted our operations.

The recent improvements in selling prices, combined with a slight reduction in costs and the sound long-term prospects of economic growth in Vietnam, bode well for Japfa.

APO-India, Myanmar, Bangladesh

For the remaining countries under APO, feed remain the major business activity. Collectively these countries recorded a positive EBITDA in 9M2023.

###

About Japfa Ltd

Headquartered in Singapore, Japfa Ltd is a leading vertically integrated agri-food company listed on the SGX Main Board since 2014. Established in 1971, the Group has grown into one of Asia’s leading low-cost producers of protein staples including poultry, swine and aquaculture as well as protein-based consumer products across fast-growing emerging Asian economies such as Indonesia, Vietnam, India, Myanmar and Bangladesh. Japfa embraces an integrated industrial approach to livestock and food production across the value chain. Its operations span from Feed & Breeding (upstream), Fattening (midstream) and Processing and Distribution (downstream). For more information, please visit www.japfa.com

Contacts

Japfa Investor Relations and Corporate Communication
Tel. +65 67350031 - Email: investorcontact@japfa.com

IMPORTANT NOTICE: *This press release is for information only and should not be relied upon to make any investment or divestment decision with respect to securities of the Japfa Group. Shareholders and potential investors are advised to seek independent advice in the making of any investment or divestment decision. Where the press release includes opinions, judgements, or forward-looking statements, these involve assumptions, risks and uncertainties that may or may not be realised. Any references to industry prices or price trends are Company estimates due to the absence of centralised public sources. Industry related data quoted has not been independently verified. For the voluntary disclosure of the Company's Income Statement, Statement of Comprehensive Income and Statement of Financial Position for 1Q2023 please refer to Japfa Ltd's Unaudited Financial Statements. A limited discussion of these results can be found in the Company's Investor Presentation 1Q2023 Financial Results. All aforementioned documents can be found on the SGXnet and on the Company's website www.japfa.com.*

###