



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

9M2022 Financial Results

In a challenging operating environment, Japfa reports 10.5% growth in revenue and EBITDA of US\$347.6 million

- **Group revenue grew to US\$3.7 billion mainly driven by higher sales volume across all segments.**
- **PT Japfa Tbk and Dairy delivered a solid performance on the back of higher sales volumes.**
- **High feed raw material costs across all the businesses and the weaker results from Vietnam-Swine hampered Group's profitability.**
- **The Group delivered a respectable EBITDA of US\$347.6 million in a high-cost environment.**

Singapore, 31 October 2022 – Leading industrialised agri-food company Japfa Ltd (“Japfa” or, together with its subsidiaries, the “Group”) today posted a 10.5% growth in revenue for the first nine months ended 30 September 2022 (“9M2022”).

In an operating environment which continues to be challenging, revenue rose to US\$3,738.3 million, compared to US\$3,383.7 million in 9M2021, driven by sales volume growth across all segments. Profit margins were impacted by higher raw material prices across all businesses and the weak performance of swine in APO-Vietnam.

Despite a high-cost environment, the Group's EBITDA stood at US\$347.6 million (vs US\$421.0 million in 9M2021). Core PATMI without Forex was US\$65.7 million compared to US\$121.0 million a year ago.

- **PT Japfa Tbk:** The segment delivered steady results despite the persistent high cost environment;
- **Animal Protein Other (“APO”):** Profits were impacted by higher raw material costs and African Swine Fever (“ASF”) in Swine-Vietnam. However, the segment's EBITDA remained positive;
- **Dairy:** The Dairy segment posted a solid operational performance, which helped to cushion margins' contraction.

Tan Yong Nang, Chief Executive Officer of Japfa, said: “In the first nine months of 2022, we grew revenue across all segments, demonstrating our ability to navigate a challenging operating environment that continues to be affected by inflationary pressures on costs and other external factors, such as ASF in Vietnam and geopolitical tensions. Although the Group's profitability was eroded by high feed raw material costs across all our businesses and the weak results from swine operations in Vietnam, we recorded an EBITDA of more than US\$347 million. While we expect the global economic conditions to remain volatile, we remain focused on the execution of our strategy to provide affordable staple proteins to consumers in Emerging Asia”.

Financial Highlights

US\$ million	9M2021	9M2022	Change
Revenue	3,383.7	3,738.3	10.5%
Operating profit	266.5	223.7	-16.1%
Operating Profit Margin (%)	7.9%	6.0%	-1.9 pts
EBITDA ¹	421.0	347.6	-17.4%
Profit After Tax (“PAT”)	194.2	108.2	-44.3%
Net Profit Attributable to Owners (“PATMI”)	113.9	46.3	-59.3%
Core PATMI without Forex ²	121.0	65.7	-45.7%

Segmental Results

PT Japfa Tbk

Amid a high-cost environment, PT Japfa Tbk delivered steady results.

Revenue grew 9.9% y-o-y to US\$2,508.8 million (vs US\$2,282.7 million in 9M2021) mainly driven by higher sales volumes and prices across poultry operations. Although prices have increased, profitability remained under pressure due to high feed raw material costs, which resulted in increased production costs across the vertically integrated operations.

Despite the continued impact of high raw material prices on costs, PT Japfa Tbk has been able to gradually improve feed margins from the lows in the previous quarters.

In a challenging environment, PT Japfa Tbk delivered a respectable EBITDA of US\$226.2 million (vs US\$251.4 million in 9M2021), reflecting its economies of scale and resilient business model. Excluding a one-off Other Income of US\$25.6 million in 9M2021 due to a reduction in pension liability following a change in the law, 9M2022 EBITDA would have remained fairly stable.

Animal Protein Other (“APO”)

The APO segment recorded a 12.1% growth in revenue to US\$775.3 million. Profits however were impacted by the weaker results from Vietnam due to high raw materials cost and African Swine Fever (“ASF”), which affected the performance of swine operations. The segment posted an EBITDA of US\$24.2 million compared to US\$46.1 million a year ago.

APO-Vietnam posted growth in revenue mainly driven by higher poultry prices and swine fattening volume.

Vietnam’s feed and poultry businesses were profitable but unable to cover the weaker performance from swine operations, which reported an operating loss in 9M2022. In the reporting period, swine prices remained volatile because of the pre-emptive sales on the market due to ASF. This contrasts with a year ago when prices were exceptionally high due to the supply shortage in the market. Also, in 9M2022 operating costs have risen mainly as a result of high feed raw material costs. In addition, we are investing in new modern state-of-the-art swine breeding and fattening farms. Lastly, our continued focus on enhancing biosecurity measures has also increased operating costs.

¹ We 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, other than gains/(losses) from the sale of beef in China.

² We 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.

APO-India posted an increase in revenue as a result of higher sales volumes and prices for feed and poultry operations. APO-India recorded a PAT of US\$2.7 million.

APO-Myanmar recorded a positive EBITDA on the back of improvements in poultry prices and the cost control measures introduced by the management during this uncertain period. The PAT for 9M2021 included a foreign loss exchange of US\$7.6 million due to the depreciation of the Myanmar Kyat (MMK). The Group continues to monitor the situation and adapt operations as necessary.

Dairy

The Dairy segment posted a solid operational performance, which helped to cushion margins contraction.

In 9M2022, revenue increased 9.4% y-o-y to US\$445.9 million from US\$407.7 million, driven by an increase in raw milk sales volumes to 532.0 million kg from 452.4 million kg year-on-year, an 11% growth in the milkable cow population and an Average Daily Milk (“ADM”) surpassing 42.0 kg/head/day for the first time.

Global challenging conditions have driven up feed raw materials costs, thus increasing production costs and tightening margins for both dairy and beef operations.

In 9M2022, EBITDA stood at US\$89.8 million (vs US\$124.7 million in 9M2021) and PAT at US\$39.2 million (vs 106.0 million in 9M2021). EBITDA and PAT in 9M2022 included IPO expenses for the proposed listing of AustAsia³ on the Stock Exchange of Hong Kong amounting to US\$14.0m, while last year in 9M2021, EBITDA and PAT included a one-off gain of US\$7.2 million from the acquisition of the two dairy farms in Shandong. In addition, PAT in 9M2022 included a bio-asset fair gain of US\$2.2 million, compared to US\$27.9 million in 9M2021, corresponding to a drop of US\$25.7 million. Although the milkable cow population increased by 11%, the increase in the bio-assets fair value is lower mainly due to higher feed cost used in the valuation of future income flows from the dairy cattle herd.

Dairy: Proposed Listing of AustAsia on SEHK - Update

On 29 March 2022, Japfa announced the submission by AustAsia of an application for its proposed listing on the Stock Exchange of Hong Kong (“SEHK”). Last August, AustAsia has cleared the SEHK’s listing committee hearing regulatory milestone for the listing. As the application for the listing has expired, on 14 October 2022, AustAsia has filed an application to extend its SEHK listing application.

In connection with the proposed listing, Japfa Ltd is proposing the distribution in specie (“DIS”) of the entire shareholding in AustAsia to shareholders in proportion to their respective shareholdings in Japfa Ltd by way of a capital reduction, with no cash outlay required. On 19 July 2022, the proposed DIS received the Approval-In-Principle from SGX. Japfa shareholders’ approval of the DIS will be proposed at the Extraordinary General Meeting to be held on 7 November 2022.

The proposed distribution will not be effective until the listing date. In addition, the timing of the proposed listing will be subject to prevailing market conditions.

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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, beef, dairy as well as protein-based consumer products across fast-growing emerging Asian economies such as Indonesia, China, India, Myanmar and Vietnam. Japfa embraces an integrated industrial approach to livestock and food production across the value chain. Its vertically integrated

³ AustAsia Investment Holdings Pte Ltd has been renamed AustAsia Group (“AAG”). AAG is the holding company of the Group’s dairy farming business.

business model spans from Feed & Breeding (upstream), Milking and Fattening (mid-stream) and Processing and Distribution of consumer products (downstream). For more information, please visit www.japfa.com

Contacts

Japfa Investor Relations and Corporate Communication

Tel. +65 67350031

Email: investorcontact@japfa.com

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