



PRESS RELEASE

JAPFA LTD

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1Q2021 Financial Results

Japfa delivers robust results with double-digit growth of revenue to US\$1,103.1 million and Core PATMI without Forex to US\$67.9 million

- **On the back of its diversification strategy, Japfa continues to deliver amid persisting challenges due to Covid-19.**
- **All three segments recorded strong results, with a reinvigorated performance of PT Japfa Tbk.**
- **Successfully issued the first-ever Sustainability-Linked Bond in the agri-food industry in the world.**

Singapore, 29 April 2021 – Leading industrialised agri-food company Japfa Ltd (“Japfa” or, together with its subsidiaries, the “Group”) today posted solid results for the first quarter ended 31 March 2021 (“1Q2021”) with all segments significantly contributing to the growth of both revenue and profits.

Revenue grew 16.1% year-on-year (“y-o-y”) to US\$1,103.1 million (vs US\$949.9 million in 1Q2020). Group’s operating profit increased 78.0% y-o-y to US\$149.8 million (vs US\$83.7 million) and Core PATMI without Forex grew 36.1% y-o-y to US\$67.9 million (vs US\$49.9 million).

Profits increased as a result of the good performance of all three segments:

- **PT Japfa Tbk:** Even though Covid-19 is still affecting consumer demand in Indonesia, PT Japfa Tbk recorded good results due to stabilised poultry prices following government’s initiatives to balance demand and supply;
- **Animal Protein Other (“APO”):** Vietnam continues to deliver a strong performance making the most of the long-term strategy in swine breeding amid persisting high swine fattening price due to the supply shortage caused by African Swine Fever (“ASF”) in the market. Swine fattening volumes increased more than 30% as a result of Japfa’s ability to quickly replenish its swine stock;
- **Dairy:** revenue and profitability increased on the back of higher sales volumes and prices of both raw milk and beef in China.

In March 2021, Japfa’s 54.47%-owned¹ subsidiary PT Japfa Comfeed Indonesia Tbk (“PT Japfa Tbk”) issued the first-ever Sustainability-Linked Bond (“SLB”) in the agri-food industry in the world. The orderbook was over 3 times oversubscribed. The final allocation went to high quality institutional investors, with more than 50% being ESG-related funds.

Tan Yong Nang, Chief Executive Officer of Japfa, said: “I am pleased with the results we delivered in 1Q2021 amid persisting challenges in the global economies due to Covid-19. In fact, rolling Core PATMI w/o Forex for the past 12 months ending 31 March 2021 hit at an all-time high since IPO. All three key profit pillars, Poultry-Indonesia², Swine-Vietnam² and Dairy-China², continue to significantly contribute to the growth of both revenue and profits, confirming that we are able to make the most of

¹ As of 31 December 2020.

² We define our three key profit pillars as Poultry-Indonesia, Swine-Vietnam and Dairy-China. These profit pillars are included in our three business segments as follows: PT Japfa Tbk (which includes Poultry-Indonesia), Animal Protein Others (which includes Swine-Vietnam), and Dairy (which includes Dairy-China).

our diversification strategy across proteins and markets. PT Japfa Tbk recorded a good performance on the back of stabilised poultry prices. In 1Q2021, we have also achieved an important milestone with the successful issue of the first-ever sustainability-linked bond in the agri-food industry in the world. We are pleased with the positive response that our SLB received from the markets. The SLB is an additional catalyst to achieve our sustainability targets and an opportunity for our investors to partner with us towards a sustainable future”.

Financial Highlights

US\$ million	1Q2020	1Q2021	Change
Revenue	949.9	1,103.1	16.1%
Operating profit	83.7	149.8	79.0%
Operating Profit Margin (%)	8.8%	13.6%	4.8 ppt
EBITDA ³	120.4	180.2	49.7%
Profit After Tax (“PAT”)	47.5	82.1	72.8%
Net Profit Attributable to Owners (“PATMI”)	35.5	48.5	36.9%
Core PATMI without Forex ⁴	49.9	67.9	36.1%

Segmental Results

PT Japfa Tbk

Amid persisting challenging conditions in Indonesia due to Covid-19, PT Japfa Tbk delivered stronger results compared to a year ago.

Revenue increased 15.2% y-o-y to US\$753.4 million (vs US\$654.2 million in 1Q2020) and operating profit grew 147.7% to US\$101.4 million from US\$41.0 million one year ago mainly driven by stabilised poultry prices. The recent culling initiatives from the government were successful in balancing poultry demand and supply, thus stabilising poultry prices in 1Q2021. The segment performance in 1Q2020 was weaker mainly as a consequence of volatile poultry prices.

Movement restrictions linked to Covid-19 continue to affect consumer demand. However, due the vaccination programme, which has been rolled out since March 2021, and the reopening of the business, we expect poultry demand to pick up gradually during the year. On the other hand, movement restrictions are also changing consumer patterns towards processed foods. Sales volumes of frozen products under So Good brand have increased more than 10% in 1Q2021 compared to last year.

Feed margins in both poultry and aquaculture remain healthy despite a rise in raw materials costs at a global level.

Animal Protein Other (“APO”)

In 1Q2021, swine operations in Vietnam continue to deliver strong results for the APO segment.

APO revenue rose 24.7% y-o-y to US\$220.3 million from US\$176.7 million in 1Q2020. Operating profit increased to US\$20.7 million (+11.8% from US\$18.6 million in 1Q2020).

³ 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.

⁴ 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 gains/losses. This is because the majority of the gains/losses are unrealised and arise from the translation of USD bonds in PT Japfa Tbk and USD loans in Dairy, which have no tax implication.

The revenue's growth was driven mainly by higher swine fattening sales volumes, coupled with strong swine fattening ASPs. ASPs continue to remain high following the significant drop of pork supply in the market resulting from African Swine Fever ("ASF").

With its industrialised business model, which encompasses strict biosecurity protocols, APO Vietnam was able to contain the adverse effect of ASF and replenish its swine stock faster than most competitors.

Feed also positively contributed to revenue and profitability on the back of Japfa's ability to pass on increases in raw materials cost.

APO-Myanmar saw an operating loss of US\$3.3 million as DOC and broiler prices remain low due to the impact of Covid-19 on the demand for poultry as well as the recent disruptions in the country. The management has recently introduced measures to control costs and adjust operations as necessary and continue to monitor the situation.

With feed as the backbone of the business, APO-India broke even amid persisting Covid-19 challenges.

Dairy

In the quarter under review, the Dairy segment posted higher revenue and profits.

Revenue increased to US\$128.9 million (6.9% vs US\$120.5 million in 1Q2020) and operating profit grew 12.4% y-o-y to US\$26.5 million (vs US\$23.6 million in 1Q2021) on the back of higher sales volumes and ASPs in both the dairy and beef businesses.

Raw milk ASP remained strong due to the supply shortage in China, as the industry takes time to build new dairy farms and reach the "full milking" stage. Strong raw milk ASP mitigated rising global feed costs.

Beef operations in China also contributed US\$17.0 million to the segment's total revenue and US\$3.6 million to Profit After Tax ("PAT") due to higher sales volumes and ASPs.

Dairy and beef operations are synergistic in many ways, such as leveraging the dairy genetic expertise, optimising farm management resources and benefitting from economies of scale. These synergies helped improve the 1Q2021 performance of the dairy segment.

Launched first-ever sustainability-linked bond in the agri-food industry in the world

During the quarter under review, PT Japfa Tbk has successfully placed US\$350 million Senior Fixed Rate Sustainability-Linked Bond ("SLB") with a 5.375% coupon maturing in 2026. The orderbook was over 3 times oversubscribed. The final allocation went to high quality institutional investors, with more than 50% being ESG-related funds.

The SLB is the first of its kind in the agri-food industry in the world. It is also the first-ever US\$ high yield SLB in Asia and the first USD-denominated SLB issuance in Southeast Asia.

The SLB prioritises an environmental Key Performance Indicator ("KPI") that is linked to the achievement of a Sustainability Performance Target ("SPT") to minimise the impact related to water pollution from untreated wastewater.

Both the relevance of the KPI and the ambitiousness of the SPT have been assessed as "Robust" by Vigeo Eiris (V.E), a global leader in ESG assessments.

With this issue, Japfa further reinforces its commitment to sustainability and the alignment of its sustainable strategy to the United Nations Sustainable Development Goals ("UN SDGs"), especially UN SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

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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 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

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