PRESS RELEASE

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9M2021 Financial Results

Japfa delivers a steady 9M2021 performance despite a weak 3Q2021 due to Covid-19 flare-up

- **Revenue grew 22.2% to US$3,383.7 million on the back of higher sales volumes.**
- **EBITDA grew 16.1% year-on-year ("y-o-y") to US$421.0 million, while Core PATMI without Forex has reduced 14.1% y-o-y to US$121.0 million.**
- **In 3Q2021, Covid-19 flared up in two of our major markets, Indonesia and Vietnam, causing strict lockdowns which hit demand and lowered prices for poultry and swine.**
- **High feed raw material costs increased production costs, tightening margins.**
- **Dairy-China continues to deliver on the back of higher sales volumes and raw milk prices.**
- **Group's diversification strategy proves effective amid persisting Covid-19 uncertainties.**

Singapore, 28 October 2021 – Leading industrialised agri-food company Japfa Ltd ("Japfa" or, together with its subsidiaries, the "Group") today posted a steady performance for the nine months ended 30 September 2021 ("9M2021") despite the weak results of two key segments in 3Q2021, as Covid-19 flared up in Indonesia and Vietnam.

Revenue increased 22.2% year-on-year ("y-o-y") to US$3,383.7 million (vs US$2,768.8 million in 9M2020). EBITDA grew 16.1% y-o-y to US$421.0 million (vs US$362.4 million in 9M2021), while Core PATMI without Forex stood at US$121.0 million, a 14.1% decrease compared to US$140.8 million in 9M2021.

In 3Q2021, Covid-19 flared up in two major markets, causing strict lockdowns, social and business restrictions which hit demand and lowered prices for staple proteins: (i) in Indonesia broiler prices dropped; (ii) in Vietnam broiler prices fell significantly below cost, while swine prices were also affected.

Against this backdrop, Dairy China continues to deliver on the back of high sales volumes and raw milk price, which remains strong due to the supply shortage in the market.

Tan Yong Nang, Chief Executive Officer of Japfa, said: "Despite a weak third quarter, marked by the negative effects of Covid-19 in two out of three segments, we delivered a good performance in the first nine months of 2021 compared to last year, on the back of a strong 1H2021. The diversification of our revenue and profit streams, coupled with the relentless focus of our local teams, continues to be a strength for our Group. Meanwhile, we have continued our plan to grow our dairy segment, AustAsia, into the largest independent raw milk producer in China, by forging new strategic partnerships with growing food and beverage Chinese companies as shareholders of AustAsia".

Financial Highlights

US$ million	9M2020	9M2021	Change
Revenue	2,768.8	3,383.7	22.2%
Operating profit	236.8	266.5	12.5%
Operating Profit Margin (%)	8.6%	7.9%	-0.7 ppt
EBITDA[1]	362.4	421.0	16.1%
Profit After Tax (“PAT”)	146.9	194.2	32.2%
Net Profit Attributable to Owners (“PATMI”)	130.0	113.9	-12.4%
Core PATMI without Forex[2]	140.8	121.0	-14.1%

Segmental Results

PT Japfa Tbk

Despite the harsher impact of Covid-19 in Indonesia in 3Q2021, PT Japfa Tbk posted good results over 9M2021.

Revenue grew 26.2% y-o-y to US$2,282.7 million (vs US$1,808.8 million in 9M2020) driven by higher sales volumes. Despite the negative impact of Covid-19 in 3Q2021, operating profit for 9M2021 increased 101.6% y-o-y to US$158.5 million from US$78.6 million one year ago, and EBITDA grew 70.9% to US$251.4 million compared to the same period last year, on the back of a very good 1H2021.

The July 2021 lockdowns due to the second wave of Covid-19 in Indonesia saw the closing of food stalls, restaurants and shopping malls. This resulted in a significant drop in demand for poultry, with broiler prices falling below cost in 3Q2021. In addition, high feed raw material prices and global shipping costs have tightened feed margins. Poultry prices remained fairly stable as government initiatives successfully balanced supply and demand in the market.

Animal Protein Other (“APO”)

The 9M2021 performance was affected by a weak 3Q2021 for Vietnam, which was hit by a Covid-19 total lockdown in July/August.

APO segment’s revenue increased 20.8% y-o-y to US$691.4 million (vs US$572.4 million in 9M2020). Operating profit decreased to US$20.5 million compared to US$78.9 million in 9M2020 (-74.0% y-o-y).

Vietnam managed to contain Covid-19 since the pandemic started. However, in 3Q2021 the country was hit by its worst wave of Covid-19 infections, which led to a total lockdown in July/August, with the closure of factories, offices, schools and food markets. These measures severely impacted demand for staple proteins.

Chicken demand was particularly affected as it is a low-cost protein typically served in canteens in factories and schools, which were shut down. This dragged poultry prices well below cost, resulting in a significant loss in our poultry operations in Vietnam.

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[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 gains/losses.

The lockdown in 3Q2021 has added downward pressure on swine prices, which were lower in 2021 compared to 2020, when swine fattening prices were exceptionally high due to the supply shortage in the market caused by the African Swine Fever ("ASF").

Feed remains profitable although margins have tightened due to higher raw material costs and shipping costs.

APO-Myanmar saw an operating loss of US$8.3 million as DOC and broiler prices remain low due to the impact of Covid-19 on demand for poultry as well as the political disruption in the country. The management has introduced measures to contain costs and will adapt operations accordingly as the situation develops.

In 9M2021, the APO segment reported a loss of US$11.7 million compared to a profit after tax of US$69.8 million a year ago.

Dairy

In 9M2021, the Dairy segment[3] continued to deliver, recording higher revenue and profitability on the back of high sales volumes and prices of both raw milk and beef in China.

Revenue increased to US$407.7 million (+4.3% vs US$391.0 million in 9M2020) on the back of higher sales volumes of raw milk, with additional contribution from Farm 8 and the two dairy farms recently acquired in Shandong.

Operating profit grew 3.0% y-o-y to US$82.9 million (vs US$80.5 million in 1H2021).

Raw milk prices 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. Rising global feed costs are mitigated by strong raw milk prices.

Beef operations in China also contributed US$57.6 million to the segment's total revenue and US$12.4 million to profit after tax, due to higher sales volumes and prices.

<u>New partnerships</u>

Among the most recent developments, Japfa's dairy segment ("AustAsia") has forged new strategic partnerships as part of the plans to further strengthen its position as the largest independent raw milk producer in China:

- Genki Forest (5%) & Honest Dairy (2.5%). These transactions were completed as at 30 September 2021;
- New Hope Dairy (5%). The closing is subject to the satisfaction of conditions precedent and, as at 30 September 2021, has not taken place yet.

Genki Forest, Honest Dairy and New Hope Dairy are growing Chinese food and beverage companies and existing customers of AustAsia, with strong potential for future growth. These transactions will allow AustAsia to team up with strategic Chinese premium downstream players as shareholders. In addition, the milk supply agreements entered in connection with the transactions, will provide a steady revenue stream.

[3] In 2020, 100% of Dairy-SEA was consolidated into the Dairy segment. Starting from 1 January 2021, the 2021 numbers above do not include Dairy-SEA after the effective sale of 80% of Dairy-SEA, for which we apply equity accounting for our 20% stake at Japfa Group level.

The aggregate consideration of US$146.0 million arising from the proposed aggregate sale of 12.5% of AustAsia to Genki Forest, Honest Dairy and New Hope Dairy, implies a 100% equity value of US$1,168 million for AustAsia.

In July 2020, Meiji came on board as a strategic partner with a 25% equity stake. After the closing of the transactions with Genki Forest, Honest Dairy and New Hope Dairy, Japfa will remain the single largest and controlling shareholder with a 62.5% stake, in line with the Group's strategy of diversifying the shareholder base of AustAsia with strategic investors, while maintaining its independence and management control.

AustAsia has demonstrated a commitment to grow its dairy farming capacity with the acquisition on 30 June 2021 of two dairy farms in Shandong with a combined capacity of 16,000 heads. This acquisition aligns with AustAsia's plans to be the leading independent raw milk producer in China.

Covid-19 update

The Covid-19 flare-up in 3Q2021 in Indonesia and Vietnam sank demand for staple proteins, affecting two out of three segments, as broiler prices plunged below cost.

This reflects the unpredictability of the situation going forward, as Covid-19 could dampen demand in any market at any time and impact selling prices of our products.

As the Covid-19 situation is still evolving in Vietnam, the impact on consumer demand cannot be assessed with any certainty. Swine and poultry prices may take some time to stabilise especially with a two-speed recovery between the North and South of the country, as movement restrictions are progressively lifted.

In Indonesia, the vaccination rate has been rising, and the Covid-19 situation has improved with movement restrictions easing in September.

The Group continues to keep a close watch on the evolving conditions. We believe that we are well placed to manage the situation, on the strength of our large scale, industrialised business model and our diversification strategy across proteins and markets.

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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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Comprehensive Income and Statement of Financial Position for 9M2021 please refer to Japfa Ltd's Unaudited Financial Update. A limited discussion of these results can be found in the Company's Investor Presentation 9M2021 Financial Results. All aforementioned documents can be found on the SGXnet and on the Company's website www.japfa.com.

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